

هكذا على النصف

Weekend FT
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smugglers, spies
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NEWSPAPER
OF THE YEAR

FINANCIAL TIMES

Weekend September 5/September 6 1992

EUROPE'S BUSINESS NEWSPAPER

D8523A

French poll puts 55% in favour of Maastricht treaty

An opinion poll conducted in France yesterday, the first since President Francois Mitterrand's live appearance in a television debate on European union, put support for the Maastricht treaty at 55 per cent. The poll appeared to confirm the positive impact of Mr Mitterrand's TV appearance on Thursday. Page 22

Italy suspends Bosnian flights: Italy has suspended humanitarian flights to Sarajevo as evidence mounted that the aircraft which crashed killing its four-man crew near the Bosnian capital had been hit by a missile. Page 2

Eurotunnel has been told by bankers to settle its dispute over the cost of building the channel tunnel by Monday night. Without an agreement with Transmanche Link, the Anglo-French consortium, Eurotunnel may not be allowed access to funds. Page 22

Japan's trade surplus soars: Japan's current account surplus soared in July to \$9.64bn (\$4.8bn), 88 per cent higher than a year ago, the 18th consecutive month of year-on-year increases. Page 3

Belfast shootings: British troops were accused of murdering an unarmed Catholic teenager who was shot in the back in the republican New Lodge area of north Belfast. Peter McBride, 18, had been searched by Scots Guards minutes earlier. Page 22

S.G. Warburg Securities, leading UK stockbroker, is to stop making a market in the shares of 382 companies, claiming it no longer makes commercial sense to trade such illiquid stocks. Page 22

KLM Royal Dutch Airlines said it had won unrestricted access to US airports under a bilateral "open skies" agreement between the US and Dutch governments. KLM would be the first European carrier to have won such an agreement.

China's finance minister quits: Wang Bingting, who presided over a widening budget deficit as Beijing sought to keep state industries afloat, has resigned after 11 years in office. Page 3

Tour operator collapses: DHG (UK), which specialises in package holidays to Turkey, ceased trading yesterday, the Civil Aviation Authority said. The CAA has called in its bond of £1.5m from the Twickenham-based company. Timeshare company closes office. Page 5

NHS salary costs: Salary costs of national health managers rose by 200 per cent over the past five years from £25.6m to £251.4m against only a 50 per cent rise for the medical staff salary fall over the same period. Page 4

Philip Morris, US tobacco group, is to build a factory to produce Marlboro cigarettes near St Petersburg. The multi-million-dollar plant will employ at least 800 workers. Page 10

Isosceles, the leveraged buy-out vehicle for the Glaxo food retail business, reaffirmed its plans for a flotation in 1995 when announcing results for the year. Page 8; Lex, Page 23

Moldovan reforms: Quito announced long-awaited economic reform measures, including the privatisation of state-owned enterprises and cuts in public spending. Page 3

Hurd pledges on Somalia: Douglas Hurd, foreign secretary, said the crisis in Somalia was worsening and promised the EC would increase humanitarian aid. Page 3

Pearson, publishing, banking and industrial group, suffered a 14 per cent drop in pre-tax profits to £34.8m for the half year ended June 30 - a better result than the City had expected. Page 8

IMF requests: Ukraine wants up to \$6.5bn (\$2.25bn) from the IMF to stabilise its proposed new currency. Ukraine claims recovery. Page 2

Laird Group, car components and industrial products company, has defied trends in the automotive industry to report a 43 per cent increase in interim pre-tax profits. Page 8; Lex, Page 22

Wall Street fires: A serious fire in a Wall Street area building caused the suspension of trading at the American Stock Exchange after smoke got into the market's ventilation system.

Time runs out for Superman: Superman, 54, the hero with superhuman strength, clean work habits, and X-ray vision, is to die in November in hand-to-hand combat with an alien named Doomsday. DC Comics, which is owned by Time Warner, has decided.

STOCK MARKET INDICES		STERLING	
FT-SE 100	2,382.2 (-10.7)	New York leading:	
Yield	5.12	S	1.87
FT-SE Eurotrack 100	1,929.27 (-2.18)	London:	
FT-AE Share	1,116.19 (-0.79)	S	1.825 (-1.38)
Nikkei	15,353.30 (+105.91)	DM	2.1
New York leading:		FF	3.3275 (3.84)
New Jones Ind Ave	3,291.85 (-0.54)	SP	2.875 (2.57)
S&P Composite	418.04 (+0.08)	Y	348.78 (246.0)
LONDON MONEY		S Index	92.4 (92.2)
3-mo Interbank	5.1%	DOLLAR	
3-mo T-bill (91)	2.82%	New York leading:	
Long Bond	9.2%	DM	1.825
Yield	7.2%	FF	4.7325
NORTH SEA OIL (Argus)		SP	1.2485
Brent 15-day (Oct)	\$28.15 (20.07)	Y	123.18
Oilfield		London:	
New York Crude (Sep)	\$34.13 (34.13)	DM	1.825 (1.615)
London	\$34.13 (34.13)	FF	4.775 (4.825)
		SP	1.251 (1.265)
		Y	123.15 (123.65)
		S Index	92.4 (92.0)
		Tokyo close Y	124.15

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Fed funds rate cut ■ Economy weaker than expected Dollar and sterling hit by poor US jobs data

By Michael Prowse in Washington and James Biltz in London

THE DOLLAR and sterling came under renewed selling pressure yesterday after worse-than-expected US employment figures indicated that the economy was far weaker than thought.

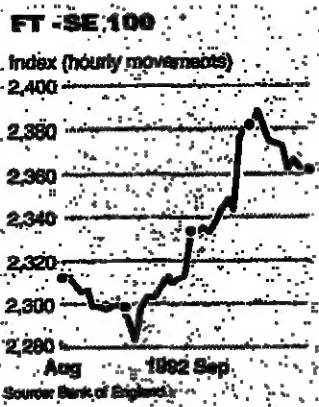
After the news that US non-farm payrolls had plunged by 83,000 in August, the Federal Reserve further relaxed monetary policy by signalling a cut of ¼ point to 3 per cent in the Fed funds rate, at which US banks lend to each other.

The jobs data immediately reversed the revival of the dollar and sterling which had followed the UK government's decision on Thursday to borrow £500bn (\$7.7bn) of foreign currencies in the coming months and sell them for pounds.

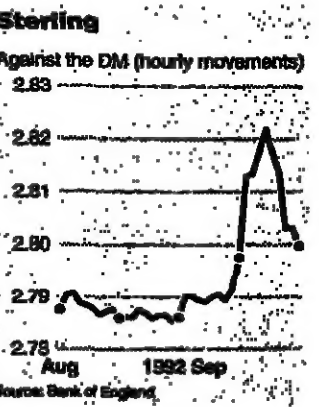
The dollar yesterday fell by nearly 4 pence in the space of an hour, hitting DM1.3940 at one point. Sterling lost most of the gains it had made in the previous 24 hours to close unchanged in London at DM2.80.

The payroll report showed that the US economy is in a worse state than had been expected and was seen last night as an embarrassment to President George Bush's administration.

Analysts had been expecting



Wall Street welcomes
Fed cut.....Page 2
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is due.....Page 7
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Mr Norman Robertson, chief economist at Mellon Bank in Pittsburgh. "It raises the possibility that the economy may be slipping into another decline."

The cut in the Fed funds rate was the first reduction in US interest rates since July, when the US central bank cut both the discount rate and the Fed funds rate by ¼ point.

The Fed funds rate sets the level of short-term interest rates throughout the country but is not psychologically as important as the discount rate.

The UK government's large foreign currency borrowing plan was intended to protect sterling against such a move as well as against uncertainty within the European exchange rate mechanism.

employment in the US to rise by about 150,000 last month. The news was particularly gloomy because it incorporated the benefits of the US government's summer jobs programme, without which employment would have fallen by 153,000.

"The report is an across-the-board disaster," said

Italian action fails to boost lira

By Robert Graham in Rome

ITALY forced up interest rates yesterday by 1.75 percentage points, the biggest increase in 11 years, and drew on international central bank credits in a fresh attempt to protect the lira.

The rise in the Bank of Italy's discount rate to 15 per cent, the highest since 1985, was accompanied by further heavy intervention but gave no significant boost to the lira.

The Italian currency finished a nervous European trading day close to its floor in the European Monetary System against the D-Mark.

The international efforts to bolster the lira, backed by the German and Belgian central banks, represented one of the largest EMS support operations since the

last full-scale realignment nearly six years ago.

In spite of the action, the lira closed in Milan at its EMS floor of 765.40 against the D-Mark. In London it closed just off its floor at 765.0.

Italian commercial banks said they would match the discount rate increase with a matching rise in their interest rates charged to customers.

The discount rate move was accompanied by increases in short-term money market rates, which yesterday were about 18 per cent. Mr Giovanni Agnelli, chairman of the Fiat group, was quoted as saying: "We are very concerned. Interest rates have reached unbearable levels for industry."

The Bank of Italy said the lira had become vulnerable after the

UK's move on Thursday to borrow £500bn of foreign currencies to prop up sterling. This shifted international selling pressure from the pound to the lira.

In intervening to support the lira, the Bundesbank and Belgian central bank were acting under EMS rules requiring automatic action to prop up weak currencies once they touch their floor.

Although the Italian authorities insisted the country was not running short of foreign exchange reserves, the Bank of Italy's convertible currency holdings have fallen sharply during the lira's weakness of the past two months.

The last published figures for Italy's foreign currency reserves at the end of July showed a total of £27,508bn against £38,583bn the previous month and

£68,513bn in July 1991.

Partly in response to this drain on reserves, the Bank of Italy announced yesterday it was making use of EMS credit facilities enabling it to borrow unlimited amounts of strong currencies for up to 2½ months to defend the lira's parity.

Using foreign currency drawn from the other EMS central banks, the Bank of Italy intervened early in the day selling DM280m and SF800m to protect the lira. The Bundesbank, accord

Continued on Page 22
World Stocks, Page 19



Child's play: a youngster examines the wreckage of the Italian relief aircraft shot down on the way to Sarajevo. Italy suspends further aid flights to Sarajevo, Page 2

Patten rules out return of O-level

By Philip Stephens, Political Editor

SPECULATION that the government might reintroduce the O-level examination following the GCSE standards controversy has been dispelled by Mr John Patten, the education secretary.

Mr Patten said his aim was to improve the present system rather than abolish it. His remarks follow the furore surrounding a report by Her Majesty's Inspectorate which suggested that standards may have been slipping since the GCSE replaced the two-tier system of O-levels and CSEs in 1988.

The report prompted Mr Patten

to demand an investigation by the independent examination boards.

It also raised the hopes of educational traditionalists and right-wing Tories that the single examination might be scrapped.

In an interview with the FT, Mr Patten rejected criticism from the Labour party and teachers' unions that he had used the report to undermine confidence in the GCSE.

He expected the boards, which will be holding a joint meeting later this month, to respond swiftly to the "serious criticisms" of the inspectors. But he added

Man in the news, Page 6

August car sales well below target

By Kevin Done, Motor Industry Correspondent

UK NEW CAR registrations in August, the most important sales month of the year, rose slightly by 1.7 per cent compared with last year, but motor industry leaders warned that there was no sign of underlying recovery.

Rover, which has introduced a three-day week on Metro and Mini assembly at Longbridge, Birmingham, last night announced further reductions in output of its Rover 200/400 series.

Overall new car registrations last month rose to 373,894 from last year's depressed level of 367,646, but demand remained well below industry forecasts for sales of around 400,000.

Sales have failed to rally despite heavy marketing by car makers including widespread dealer discounting, manufacturer cash rebates and offers such as free insurance, free road fund licence and low-cost finance.

Sales fail to recover, Page 4

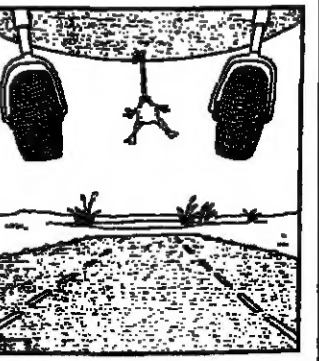
National Savings look to the far side

By Philip Coggan, Personal Finance Editor

NATIONAL SAVINGS has unveiled the latest weapon in its battle for the nation's wallets - Gary Larson. The Far Side cartoonist's work will head a campaign aimed at persuading private investors to help fund the UK's growing budget deficit.

Larson's work will appear in animated version for the first time in a series of UK television adverts starting on Wednesday. British animators have adapted the US artist's cartoons, which mainly involve animals and are noted for their off-beat humour, with the creator's approval.

Newspaper advertisements will also carry Larson's cartoons. National Savings says the campaign is aimed at attracting many investors, often in the 30 to 60-year-old range, who regard the government department's products as down-market and dull. The cartoons are designed to give the investment schemes a more up-to-date image. The campaign will be cheaper than the



Go for the big one: National Savings' new advertisement

department's previous efforts which have involved actors and location filming.

The advertisements will be monitored closely by the building societies, which have been complaining about the National Savings department's success in attracting savers. Rates on National Savings products have been cut twice in an attempt to head off criticism.

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NEWS: INTERNATIONAL

Wall Street welcomes Fed cut

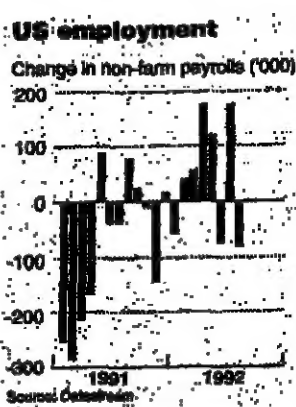
By Michael Proulx
in Washington

THE US Federal Reserve's decision to respond to a dismal employment report, with a ¼-point cut in the federal funds rate to 3 per cent, was welcomed on Wall Street yesterday as striking a sensible balance between the domestic and international needs of the economy.

But for the chronic weakness of the dollar and the imminence of the presidential election in November, the Fed might have been tempted to announce another cut in the discount rate which, at 3 per cent, now sets a floor for the federal funds rate.

Nudging down the federal funds rate (the cost of overnight funds in the interbank market) was a way to appear responsive to domestic economic needs without further destabilising currency markets.

The plunge in payroll



employment last month was sharp enough to raise worries that the US economy is heading for a triple-dip recession.

Non-farm employment fell by 83,000 to 108.5m, despite the Bush administration's attempts to massage the figures with a generous federal summer jobs programme. Excluding the effects of federal intervention, employment fell

by 183,000 - the kind of figure expected at the depths of recession.

Wall Street analysts had expected employment to rise by about 150,000. The weakness was pervasive. Manufacturing and retailing shed 97,000 and 71,000 jobs respectively, showing the softness of both production and consumer demand. Other sectors shedding jobs included construction, mining, retailing, wholesaling and transport.

Overall, private sector employment was not significantly higher last month than in April last year, the month many economists believe was the trough of the recession.

Analysts discounted the few positive elements in the figures yesterday. The unemployment rate (based on household rather than payroll data) fell slightly - to 7.6 per cent against 7.7 per cent in July. But the decline was entirely accounted for by lower teenage joblessness via the summer

jobs programme. Recent indicators have been consistently weaker than expected. Consumer confidence slipped further in August, having fallen sharply in July. Orders for durable goods fell in July, as did housing starts and new home sales.

Few analysts, however, are yet willing to forecast a return to outright recession, mainly because there has been no sudden shock to the economy, such as an oil price or interest rate increase. But most are scaling back already weak growth forecasts.

"This is a very dismal report," said Mr Edward McKelvey, a senior economist at Goldman Sachs, the investment bank. The employment figures pointed to economic growth of little more than 1 per cent at an annual rate, a dismal showing by US standards. Only a few months ago, economists were confidently forecasting growth at an annual rate of 2.5-3 per cent.

Industrial orders down in Germany

By Christopher Parkes
in Bonn

THE rising value of the D-Mark hit German industry's export order books in July, the economics ministry said yesterday. Incoming orders from foreign customers, already depressed by recession, fell a real 2.5 per cent in July, compared to June.

Combined with a 0.5 per cent rise in domestic demand, this produced an overall fall of 0.5 per cent in new orders at manufacturing and mining companies.

A comparison of developments in June and July, measured against the previous two months and considered more reliable, showed total orders down 2 per cent.

Compared with the equivalent period last year, the reduction was 4.5 per cent in volume and 3.5 per cent in value.

Capital goods manufacturers have been especially hard hit by slowing investment at home and abroad. Their June/July orders were 7.4 per cent lower in volume and 5.3 per cent down in value, compared with a year earlier.

Underlining the strains in the industry, MAN Gutehoffnungshütte, a plant and engineering subsidiary in the MAN group, yesterday announced plans to cut 400 jobs.

Krupp Stahl, one of Germany's leading steel-makers, announced a plunge into the red in the first half of this year. After profits of DM44m (£15.7m) in the first six months of 1991, it reported a loss of DM32m.

Krupp loss, page 10

Bonn politicians alarmed at poll debate in France

By Quentin Peel in Bonn

THE GERMAN political establishment has followed the Maastricht referendum debate in neighbouring France with no little surprise and alarm.

But the German citizen in the street, if following the debate at all, seems to be decidedly unimpressed.

"If the French vote No in the referendum, it would devastate the political leadership, and probably delight most of the German people," according to one senior European diplomat. "It would shake the foundations of the Franco-German alliance at government level and simultaneously reinforce the relationship at the grass roots."

Chancellor Helmut Kohl's decision to intervene in the marathon French television debate on Thursday night, and urgently to plead for a Yes vote, was a clear demonstration of just how important a positive outcome is for Bonn.

"If Mitterrand wins, then Kohl wins - and the opposite is also true," said a senior government official. "The chancellor has invested a lot of credibility in Maastricht. We were worried, but now less so. We assume the outcome will be positive."

Until the past few days, the German public had paid little attention to the French debate, preoccupied with its own prob-

lems of unification, immigration, and the bloody battles in former Yugoslavia.

The emergence of Germany itself as an issue in the referendum campaign has started to change that, along with the growing realisation that a Yes vote is no longer a foregone conclusion. Yet there appears to be no contingency planning in Bonn for a French No. "It is an outcome too ghastly to contemplate," said one German official.

The political establishment in Bonn - the leaders of all the main political parties - is painfully aware that its dedication to European integration is increasingly out of step with popular opinion. The polls have shown a steady and relatively rapid switch in sentiment against further integration, particularly by way of hostility to the exchange of the D-Mark for a single European currency and doubt about the benefits of a frontier-free European market.

Dr Dieter Roth of the Mannheim-based Wahlen Institute for opinion research says that, in July, there was still a majority in favour of Maastricht in Germany, by 50-34 per cent. He expects a new poll in two weeks to show a far narrower margin.

"We can say very clearly that, since Maastricht, the German enthusiasm for Europe has declined," he says. "In particular, a large majority of the population does not want the D-Mark to be replaced by the Ecu. In June, about 70 per cent were opposed to that."

That is a process independent of the French debate. What has upset the commentators is the emergence of the "German bogey" as an argument on both sides of the French divide. The Yes campaigners say Maastricht is essential to bind the German giant; the No campaigners say European union will simply make France a German lapdog.

"We are a bit concerned about some of the arguments being used," a German political observer says. "If they go on talking about German demons, it could have a negative effect here. But, so far, the damage is limited. We have always known that this sort of thinking played a role among the French elite. And they have to convince chauvinist French voters."

The German government still faces a tough ratification of the EC treaty in the two houses of parliament. A deal has been agreed to give the Bundesrat, the upper house, more power to oversee EC legislation and take part in negotiations. Now the Bundestag, the directly elected lower house, is looking for similar powers.

Perhaps most problematic of all, both chambers are demanding the right to hold a "vote of approval" before the EC can pass from stage two to the final stage three of economic and monetary union. That is a concession the government is desperate not to make, for it could call into question the whole European Monetary Union process.

Delors attacks US over subsidy on wheat

By Lionel Barber
in Brussels

MR Jacques Delors, European Commission president, yesterday heavily criticised the US plan to double its subsidised exports of wheat and warned that this could undermine efforts to reach a trade agreement through the General Agreement on Tariffs and Trade.

He called US President George Bush's plan to use \$1bn to subsidise the export of 29.1m tonnes of wheat to some 28 countries an "aggressive act". Abandoning the informal truce between US and EC negotiators on GATT, the commission president said the US move had vindicated the European's refusal to bend to Washington's pressures to reduce its own subsidies.

His remarks came during a French radio broadcast on the Maastricht treaty.

After the broadcast, Mr Delors said the US plan would double the amount of its subsidised wheat on world markets, directly challenging the EC's markets in Pakistan, Kenya and Latin America.

"It is a very bad sign," he said. Some countries, such as Brazil, have declared they will not buy subsidised wheat from the US, while US officials said yesterday that the announcement was partly aimed at pressuring the EC to reduce its export subsidies in agriculture.

Mr Delors acknowledged that Mr Bush's announcement was probably meant to win US farmers' votes in the presidential election in November, but he complained that the US was aggravating tensions over trans-Atlantic trade through its policy of benign neglect of the dollar.



THERE IS A FREE LUNCH: Hundreds of homeless await a meal donated by a hamburger chain in Los Angeles this week. The number classified as poor in the US has reached a 27-year high

Austere budget in Portugal

By Patrick Blum in Lisbon

THE Portuguese government is preparing a tough cost-cutting 1993 budget to reduce its deficit in a further effort to accelerate nominal economic convergence with Portugal's richer European Community partners.

"It [will be] an investment and restructuring budget," Mr Jorge Braga de Macedo, finance minister, said in an interview with Semanário Económico, a respected weekly newspaper. "Recurrent expenditure will fall in nominal terms, but investment and spending on social services will grow 12-14 per cent."

According to officials, the aim is to reduce the budget deficit to 4 per cent of gross domestic product, compared with 5.2 per cent forecast for this year. All ministries, except justice and interior, will be required to cut their administrative spending by 5 per cent.

The right-of-centre social democratic administration is also seeking public sector wage rises of up to 4.5 per cent for most employees and of about 5.5 per cent for the lowest-paid. This is likely to be bitterly fought by public sector unions, which do not believe the minister's forecast of 5-7 per cent inflation for 1993 - down from an expected 9 per cent this year. Unions want 10-11 per cent pay rises.

Mr Braga de Macedo said he expected the economy to grow by about 3 per cent in 1993, compared with forecasts of 2-2.5 per cent growth this year.

The social democrats' parliamentary majority will ensure approval of the budget.

Ukraine claims recovery

By Christine Freeland in Kiev

MR Vitold Fokin, Ukrainian prime minister, yesterday claimed that the national economy has begun to pull out of its nose-dive, having grown by 0.5 per cent in the year to July. Such a stabilisation could be contrasted with the large declines in production plaguing other ex-communist countries in eastern Europe.

Also, Mr Fokin announced Ukraine is seeking a stabilisation fund of between \$6bn-\$8.5bn from the International Monetary Fund, which the republic formally joined on Thursday. Ukrainian officials had said they would need \$1bn-\$1.5bn from the IMF to cushion Ukraine's planned currency, the hryvnia.

In Washington, a Ukrainian delegation to the IMF, headed by Mr Hryhoriy Piatachenko, finance minister, was reported to have stuck to the lower figure.

Mr Fokin claimed that, in July, production had increased by 0.5 per cent in comparison with July 1991. He added that, in the next day or two, he will unveil a new "Action Plan for the Economy". He said his programme would simultaneously cut taxes and the budget deficit, but made little mention of privatisation or other structural reforms.

Italy suspends further aid flights to Sarajevo

By Robert Graham in Rome,
Laura Silber in Belgrade and
Frances Williams in Geneva

THE ITALIAN government yesterday announced the suspension of further humanitarian flights to Sarajevo as evidence mounted that the aircraft which crashed killing its four-man crew near the Bosnian capital on Thursday had been hit by a missile.

Mr Salvo Ando, Italian defence minister, said yesterday after a cabinet meeting: "The most probable thesis is that the aircraft was shot down."

The G-222 military transport, flying without any armed escort, was easily identifiable flying at 10,000 feet on a route normally used for humanitarian flights at the time of the incident. It was carrying blankets to some 380,000 people trapped by a five-month Serb siege of Sarajevo.

Mr Ando said this suggested that if the aircraft had been the subject of an attack, it was most likely to have come from a missile.

Three of the bodies were recovered by UN rescue teams on Thursday evening while the fourth was recovered yesterday. From Belgrade, there were reports that two eyewitnesses had said the plane was hit before it crashed into mountains controlled by Muslim and Croat forces some 20 miles

west of the capital. And a local commander of the Croatian Defence Council yesterday admitted they had shot at American search and rescue helicopters which had gone to investigate the wreckage.

Mr Ando said humanitarian flights would not be resumed "until we [have] found out what happened and above all who was responsible".

In Geneva, the UN launched an urgent appeal for an additional \$434m (£218m) "to avert a looming humanitarian disaster" in the former Yugoslavia this winter. However, the appeal covers less than half the more than \$1bn a UN team of experts has said is needed for the period to next March.

UN officials say that hundreds of thousands of people are at risk from hunger, cold and disease in the bitter Balkan winter. More than 600,000 refugees in Croatia have no adequate shelter and over 2m people in Bosnia are living in war-torn areas, many in homes without water, heating or even window coverings. Once the first snowfalls come, many mountain roads will be impassable for relief convoys.

Mrs Sadako Ogata, UN High Commissioner for Refugees, who presented the appeal in Geneva, said the international community had to act now. "Time is short and thousands of lives are at stake," she said.

The UN call for funds covers "life-threatening priority needs" for the 2.7m people directly affected by the conflict in the former Yugoslavia. Half of these are children and the remainder are mostly women, elderly and disabled people.

Almost 3m have fled their homes and others remain trapped in cities under siege. Meanwhile in Belgrade, deputies to the federal parliament debated a vote of no-confidence in Mr Milan Panic, prime minister of the internationally unrecognised Yugoslavia. They accused the outspoken prime minister of betraying Serbian interests at last week's London Conference.

In a lively defence, Mr Panic told deputies to the Socialist-dominated parliament that the London talks had been a turning point for the unrecognised Yugoslavia. The no-confidence motion was proposed by deputies from the Socialist Party and the Serbian Radical Party, which is headed by Mr Vojislav Seselj, an ultra-nationalist. Mr Seselj, who yesterday repeatedly attacked the prime minister, is the commander of a paramilitary wing and is known as Serbian President Slobodan Milosevic's favourite politician.

Major and Baker adopt stands in Conservative party split

By Alison Smith

MR John Major, the British prime minister, yesterday again defended the Maastricht Treaty and called for a clear Yes in the French referendum, as one of his former cabinet colleagues, Mr Kenneth Baker, entered the Conservative party row over Europe with an endorsement of a No vote.

"I think it is in our interest that that answer is Yes. I think it is even more in our interest if it is a resounding Yes," Mr Major said during a political visit to Wales.

"That would be the best outcome of that referendum from the point of view of Europe as a whole and from the point of view of the United Kingdom," he told the Liverpool Daily Post.

Despite his call for the French to approve Maastricht, he admitted that the treaty had defects.

"Everybody has a belief that it is the right way forward but not everybody likes every single part of the treaty," he said.

By contrast, Mr Baker wrote in yesterday's Daily Express that "The best message for the voters of France today is: 'Courage, mes braves, votez Non'."

He argued that a No vote would not lead to a political or economic crisis, but would give Europe longer to consider what was in the agreement.

He envisaged that it would still be possible to implement those parts of the treaty with which all 12 member states agreed.

Mr Baker gave as examples of possible such areas greater inter-governmental co-operation in dealing with international crime and in foreign policy.

Mr Baker is not the only former senior Conservative minister to express opposition to the Maastricht agreement, but he is the only one still in the House of Commons, having left the cabinet only at the election in April.

His intervention comes just a day after Lady Thatcher renewed her criticism of Mr Major's approach to Europe, and just before the prime minister will again underline his personal commitment to the Maastricht treaty at an EC conference on Monday.

By Alice Rawthorn
in Paris

FRANCE'S bookshops have experienced a sudden surge of sales lately as people have flocked to buy books on the whys and wherefores of European union, to help make up their minds on how to vote in the Maastricht referendum on September 20.

"We've been amazed," said Mr Jerome Castelot, manager of the bookshop at the Virgin Megastore on the Champs Elysees in Paris. "Some Maastricht books are selling so quickly that we can't get keep up with demand."

The best-seller is the treaty itself, *Traité de Maastricht*, Mode D'emploi (How to Use It), a 600-page tome that has already sold more than 55,000 copies. The more accessible *Mieux Comprendre le Traité de Maastricht* (A Better Understanding of the Maastricht Treaty), a 39-page pocket guide, is also going well.

The government has recorded the treaty on cassette for France's 100,000 blind voters. These carry a notice on European union in Braille and were made available at the state secretariat for the handicapped, where the switchboard operator said: "The phone has not stopped ringing."

Then there is the plethora of books trying to persuade the French to vote Yes or No on September 20. *Le Nouvel Observateur* magazine this week counted seven tracts from the No camp, four from the Yes, and six were uncommitted.

The titles of the No and Yes tracts are self-explanatory: *Notre Europe Sans Maastricht* (Our Europe Without Maastricht) by Mr Philippe de Villiers, the centre-right UDF leader, the most active anti-Maastricht campaigner, paints a rosy picture of Europe in general and France in particular if the treaty were rejected.

Trans-Europe Express by Mr Jean-Louis Bianco, social affairs minister, also predicts a rosy scenario, if the treaty is ratified.

The aesthetics of the books are predictable too. The No camp favours the red, white and blue of the French tricolor flag; the Yes faction prefers the blue of the EC flag.

Mr Henri Emmanuelli, socialist president of the National Assembly, has sprinkled his book jacket with yellow EC stars and a red *Oui* (Yes).

Most of the Maastricht publishers have spent as little as possible on design, having sensibly concluded that any book about the treaty will probably be unsellable once the polls have closed on September 20.

The big type and generous white space used in some books suggest that they were written in a hurry.

The most successful of the political tracts is *De L'Europe et de la France* (On Europe and France) by Mr Marie-France Garand, a prominent conservative, and Mr Philippe Séguin, the Gaullist politician selected to represent the No camp in the television debate with President François Mitterrand on Thursday. Their publishers claim the book has sold 50,000 copies.



IN THE AFFIRMATIVE: Kohl and Mitterrand on screen during French TV's referendum debate

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NEWS: INTERNATIONAL

Hurd promises increased EC aid to Somalia

By Julian Ozanne in Mogadishu

MR Douglas Hurd, the British foreign secretary, yesterday said that the crisis in Somalia was worsening outside the capital and promised the European Community would increase humanitarian aid, concentrate on turning relief into long-term recovery, and help with efforts to re-establish a government in the war-ravaged country.

Mr Hurd, who led an EC troika of ministers on a one-day fact-finding mission to Somalia, also admitted the world had been slow reacting to the crisis. He criticised United Nations agencies, which have not yet established a presence in the country to aid efforts to save up to 1.5m people facing death from starvation and disease.

Although he refrained from naming them, Mr Hurd was thought to be referring to the World Health Organisation and the Food and Agriculture Organisation.

Mr Hurd made the comments after four hours in the shell-blasted capital, Mogadishu, observing emaciated infants being fed, visiting a decrepit hospital and meeting aid workers. The EC troika also experienced the chaos and danger of Somalia as gunmen in "Mad Max" customised vehicles zoomed past their UN flagged convoy and an occasional shot was fired in the distance.

At a Save the Children Fund feeding centre for severely malnourished children and lactating mothers, Mr David Shearer, SCF director, told the

ministers that the EC should concentrate on expanding emergency relief outside the towns and cities and should plan for the long-term in Somalia, after the "crisis falls off the world stage".

Mr Mohamed Ahmed Noor, the secretary for relief and rehabilitation of the faction that controls south Mogadishu, told Mr Hurd: "A political settlement must go side-by-side with relief. Everybody is fed up and ready to throw away their guns and what we need is for a country like Britain to call us together to talk."

The same point was stressed later after the EC convoy crossed the devastated front line and entered the north of the city, which is controlled by clan forces loyal to Mr Ali Mahdi Mohamed.

Mr Mohamed, who arrived in the looted Range Rover that used to belong to the former British ambassador, said: "Britain, as president of the EC, should help Somalia by giving more aid, by playing a role in peacekeeping operations and by giving us a hand with political reconciliation."

Mr Hurd later reflected much of the advice his mission had been given. He particularly highlighted the need for a long-term recovery programme by the urgent provision of seeds and tools. "The international community should sustain relief after the television cameras have gone," he said.

However, Mr Hurd stressed clear of making any commitments on a British or EC role in mediating a political

dialogue between the warring factions.

Asked earlier if he was in favour of a UN trusteeship for Somalia, Mr Hurd said he was in favour of an expanded UN presence and administration of Somalia, where the government and civil society have disintegrated. But, he said, trusteeship would not be the right name, since the UN was bound by the sovereignty of states.

Mr Hurd said the 3,500 UN troops expected in Somalia should be deployed with careful consultation with the Somali authorities. "There are risks," he said, "but the troops are needed to make sure the relief effort works." Britain would not contribute any soldiers to the UN force, the foreign secretary said.

NEWS IN BRIEF

Brundtland fires third of cabinet amid jobs crisis

MRS Gro Harlem Brundtland, Norway's prime minister, yesterday purged a third of her cabinet in a move designed to emphasise unemployment as the government's priority, writes Karen Fosli from Oslo.

Most significant is the appointment of Mr Gunnar Berge as local government minister in charge of labour issues, which was formerly the responsibility of the ministry of labour and administration.

Mr Berge is Mrs Brundtland's closest party political ally and has also strongly backed her strategy to lead Norway into the European Community.

Norway's unemployment, at 7.6 per cent including those on government training schemes, is at a post-war high and has been the single biggest issue undermining Labour support. A general election is due next year.

Sanctions blamed for Libya deaths

United Nations sanctions have cost 150 lives and more than \$2bn in lost economic output, Libya claimed at the non-aligned summit, writes William Keeling in Jakarta.

The deaths occurred among patients who could not be treated because of lack of medical supplies who were being taken by land to Egypt or Tunisia.

A Libyan document submitted to the summit said the UN ban on flights to Libya had led to big falls in agricultural output.

Western Saharans join in vote

Residents of the disputed Western Sahara were among 11m voters eligible to participate yesterday in a referendum called by King Hassan II to institute limited constitutional reforms. AP reports from Rabat.

The inclusion of Western Saharans was meant to consolidate Morocco's 1975 annexation of the former Spanish colony. King Hassan claims the territory was part of Morocco for centuries before Spain and France colonized north-west Africa.

The reforms, widely expected to win approval, would retain the powerful monarchy but strengthen some of parliament's powers.



Arthur Dunkel yesterday: Seoul urged to lift ban

Dunkel plea on Korean rice

South Korea should end its ban on rice imports and allow outsiders to supply up to 5 per cent of national consumption, Mr Arthur Dunkel, director-general of the General Agreement on Tariffs and Trade, said yesterday during a visit to Seoul.

Seoul has come under strong international pressure to lift the ban to help conclude the long-stalled Uruguay Round of GATT talks, multilateral negotiations on world free trade.

Bofors ruling is reversed

The Indian Supreme Court yesterday suspended a judgment by the Delhi High Court which would have halted investigations into the Rs14.5bn (\$280m) Bofors arms bribery scandal, writes Shiraz Siddiqui in New Delhi.

The move ensures that six secret Swiss bank accounts frozen with the help of the Swiss authorities, are not unfrozen, following the High Court's ruling that there was nothing proven against Mr Vin Chandra, the former Bofors agent in India, and 15 others accused of receiving bribes from the Swedish arms company for a large order in 1987.

Weak consumer demand forecast to hit company profits

Japan's trade surplus soars as strong yen lifts exports

By Steven Butler and Eniko Terazono in Tokyo

JAPAN's current account surplus soared in July to \$9.81bn (\$2.45bn), 39 per cent higher than a year ago, the Ministry of Finance said yesterday.

The announcement came as researchers at Nomura Securities forecast a bigger than expected fall of nearly 18 per cent in company profits this year, in the wake of static consumer demand.

The rise in the current account surplus marks the 16th consecutive month of year-on-year increases and will add to the growing discomfort of the Japanese government, which has faced sharp calls from its trading partners to bring down the trade surplus.

The current surplus is a record high for the month, with the trade surplus alone, which excludes invisible items such as tourism and insurance, rising from \$6,624bn to

\$11,647bn. It puts Japan on course for record current account and trade surpluses this year.

Imports during the month rose by a scant 0.4 per cent, while exports climbed by 12 per cent. The anemic state of imports reflects the weak state of domestic demand in Japan because of the slowdown in the economy.

In spite of government efforts over many years to reduce Japan's dependence on exports for economic growth, exports are turning out this year to be an important contribution to GNP growth.

A finance ministry official attributed most of the increase in exports to a rise in the value of the yen compared to a year ago.

Japan once again became a net importer of long term capital in July, amounting to \$374m, compared to capital exports of \$7.43bn in June.

Japanese net purchases of overseas securities declined sharply from \$4.85bn to

\$1.18bn, with bond purchases falling from \$5,06bn to \$2,02bn.

Foreigners were net purchasers of Japanese stocks and shares worth \$591m, compared to \$1.95bn in sales during June.

The forecast of falling company profits by Nomura Research Institute (NRI), the research arm of Nomura Securities, is a bleak revision of its initial prediction of 10 per cent pre-tax corporate profits for the year to March 1993.

Japanese companies had expected a rebound in earnings during the second half of the fiscal year, but are starting to revise down profit forecasts following the prolonged economic slowdown.

An unexpected slump in consumer demand is hitting profits. Although the Japanese government expected stable consumer spending to lead the country out of recession, recent statistics reflect an increasing loss in consumer confidence.

The government's failure to announce its economic support

package earlier will also delay recovery. The government last week announced its package, which includes ¥10,700bn (\$43bn) in public works spending. NRI said the effects of the package are not expected to be felt until next fiscal year.

Delayed rationalisation of operations and increasing depreciation costs were also cited as causes for lower than expected profits. Profits at the electrical machinery and precision instrument sectors are expected to plunge 28 per cent, down from an initial projection of a 7.7 per cent decrease.

The chemical sector is expected to show a 38.6 per cent fall, the financial industry a 12.1 per cent fall, and consumption related companies a decline of 6.4 per cent.

However, for the next fiscal year to March 1994, NRI says the effects of the government's package will be felt, and together with an increase in consumer demand, will lift corporate profits by 8.5 per cent the first rise in four years.



Former Bulgarian communist dictator Todor Zhivkov, pictured above outside Sofia's courthouse yesterday, was sentenced to seven years in jail after a one-and-a-half year trial. Zhivkov, 80, is the first of a gallery of once feared and powerful Warsaw Pact leaders to be formally charged. Mr Zhivkov, who was convicted for

embezzling L21.5m (then \$24m) from public funds to buy 67 western cars and 72 palatial apartments for relatives and friends, said he was convicted on trumped-up charges and that history would be his true judge.

Ousted in November 1989, Mr Zhivkov's period under house arrest will count towards his jail term.

Township violence reports 'biased'

By Paul Waldmeir in Johannesburg

BIASED reporting of township violence in South Africa is hindering both peace talks and constitutional negotiations, according to the South African Institute of Race Relations, which has published a report detailing what it calls an international campaign of "disinformation" about South African violence.

Organisations such as Amnesty International, the International Commission of Jurists and the South African-based Human Rights Commission "distort the causes of violence", the Institute says. In its 50-page report, it details cases in which these three organisations have "ignored the rules of evidence", elevated allegation to the level of fact and reported evidence selectively.

All three organisations accuse the mainly Zulu Inkatha Freedom Party of being the main perpetrator of political violence, in collusion with the South African police.

But, the report says, they ignore the ANC's role in township violence: it argues that the ANC's policy of rendering South Africa ungovernable in the mid-1980s has left a legacy of violence which is difficult to overcome, and provides evidence that intimidation and coercion often accompany the ANC's mass action campaigns, further fuelling violence.

The report notes that the ANC often relies on the reports of these organisations to substantiate its accusations against Inkatha and the government.

The Institute, for its part, argues that it is very difficult to apportion blame for incidents of township violence, noting that of 3,030 violent incidents analysed for 1991, it was impossible to identify the agent of the attack in 87 per cent of cases without relying on "untested allegation or speculation".

Reports which are seen to be one-sided can easily fan the flames of violence, the report concludes.

Peres says talks best 10 days ever

MR Shimon Peres, Israel's foreign minister Shimon Peres said the latest round of Middle East peace talks in Washington yielded "the best 10 days ever" in Israeli-Syrian relations, Reuters reports from Jerusalem.

The US-brokered talks between Israel and Syria, Lebanon, Jordan and the Palestinians adjourned on Thursday with indications of progress.

"In the 44 years since the founding of Israel there have never been 10 days like these in Syrian-Israeli relations," Mr Peres told Israel Television.

"From the peace standpoint, these have been the best 10 days ever. We sat together, we listened to each other. I cannot say that these 10 days brought peace, but they produced a chance."

Israel has long seen Syria as its most implacable enemy. It has officially been at war with Israel since the Jewish state was established in 1948.

Some Arab delegates expressed disappointment that Israel had not shown more flexibility. "We have seen improvement, as I said, in atmosphere, in tone, in style, but we haven't seen yet that promise in change concerning substantive matters," chief Syrian delegate, Mr Mouwafiq al-Allaf, told reporters.

But Mr Peres, citing Israel's agreement to discuss territorial compromise on the Golan Heights, captured from Syria in the 1967 Middle East war, said: "The Syrians cannot complain that there has been no movement. There has."

The talks had been scheduled to run for a month without a break but the Israelis asked for a 10-day recess to consult their government. Arab delegates said they hoped this meant the Israelis would return with new positions.

HK fears crossfire in US-China trade war

By Simon Davies in Hong Kong

HONG Kong would lose \$HK250m (\$2.26bn) in trade if the US imposes punitive tariffs on China as a result of its Section 301 investigation, according to the Hong Kong government.

A government report, aimed at alerting the US to the heavy price Hong Kong would have to pay for Washington's trade policy, estimated that 16,600 jobs would be lost and GDP would fall by 0.7 per cent.

The US 301 investigation focuses on Chinese protectionism. On August 27, the administration published a list of \$8.9bn-worth of US imports that would be considered for retaliation. Goods on these goods would be increased to up to 100 per cent.

The debate appears to have heated up following the US decision to allow the sale of F-16 fighters to Taiwan, but Mr Chau Tak-hay, Hong Kong's secretary for trade and industry, was adamant that this would not sour the discussions.

"These are purely trade negotiations and I do not believe other issues will affect the outcome," he said.

Hong Kong's exports are expected to rise 30 per cent this year from the 1991 level of \$96bn.

By comparison, the impact of the US trade action would be to remove more than one-fifth of that growth.

The impact would be even greater if China countered the American moves by restricting US imports.

Mr Chau said the government would present its report to the US administration and he also urged other local trade groups to lobby the US.

He said the longer-term impact on Hong Kong would be far greater than the initial drop in trade.

It would result in "weakening of investment interests by Hong Kong and foreign companies in China, undermining of Hong Kong's role as a gateway to China and major entrepot, and reducing Hong Kong's longer-term potential," he argued.

The deadline for the bilateral trade negotiations is October 10.

China's 'tired' finance minister is replaced

WANG Bingqian, China's finance minister, who presided over a widening budget deficit as Beijing sought to keep sagging state industries afloat, resigned yesterday after 11 years in office, Reuters reports from Beijing.

The official Xinhua news agency said Mr Wang, 67, would retain his position as a state councillor, or member of China's cabinet. The standing committee of China's rubber-stamp parliament approved his resignation, and named former vice finance minister Lin Zhongli, 57, to replace him.

Senior leader Deng Xiaoping, 88, has stepped up his calls for China's old guard to step aside in favour of younger officials since he launched his latest drive for faster economic reform in January.

Mr Wang was known for frank assessments of China's economic situation. From the

late 1980s he repeatedly warned of the dangers inherent in funneling billions of dollars in subsidies into inefficient state industries to preserve their role as the backbone of China's socialist economy.

In his report to parliament in March, he effectively admitted that efforts to shake up state enterprises were floundering when he set the 1992 budget deficit target at Yuan20.78bn (\$1.9bn). In 1991, the deficit hit Yuan20.26bn, overshooting the target by Yuan7.92bn.

Mr Wang attributed the 1991 overrun to "loose management, expenses for over-staffed departments, sightseeing and banquets with public funds, too many subsidies and bonuses." He has said he sees little hope of improvement this year.

China's budget deficit would be Yuan58b (\$5.3bn) higher under standard international measurements, which count for-

sign and domestic debt on the deficit side.

While Wang's analysis of China's financial problems may have won him few friends in the huge state sector, it is unlikely political problems were behind his resignation, according to political analysts. Xinhua hinted he was simply tired of the job.

Little is known of his replacement. Mr Liu served as vice-minister of finance in the mid-1980s and became deputy secretary-general of the State Council in 1990.

The committee also removed railways minister Li Senmao, 63, "for reasons of ill health", Xinhua said. His reign over the nation's rail transport system has seen it struggle to keep up with the demands of China's accelerating economic growth. His replacement, Han Zhuolin, 60, is a long-time official in China's railways administration.

Collor crisis to grind on

By Christopher Lamb in Brasilia

BRAZIL's political crisis now seems unlikely to be resolved quickly as government lawyers believe the intricacies of the impeachment process mean that President Fernando Collor will not face a congressional vote before the end of next month.

The delay is expected to result in a big cabinet reshuffle and a possible change in economic policy towards more growth-oriented strategy in an attempt to win popularity and political support.

Mr Collor is under mounting pressure from his political

advisers to drop technical ministers or those "not fully in line with him" in favour of political nominees who could help win Congressional support for the impeachment vote.

Mr Odair Soares, the newly-appointed leader of the government in the Senate, told the Estado de Sao Paulo newspaper that he expected new ministers to be named within the next few days for important posts, though Mr Ettevaldo Dias, Mr Collor's spokesman, denies that any cabinet changes are planned.

Those most expected to go are Mr Marcilio Marques Moreira, the economy minister, Mr

Jorge Bornhausen, the political co-ordinator, and Mr Celso Borja, the justice minister. Although the entire cabinet signed a "pact of governability" pledging to stay on until the end of the crisis, the three are known to now be discussing resigning, dismayed by the delay in the vote.

The impeachment process could be brought forward however if the attorney-general recommends a criminal case against the president for which congressional approval would be necessary. He is studying the results of a three-month congressional inquiry into government corruption.

Ecuador announces economic reforms

By Raymond Collitt in Quito

THE government of President Sixto Duran Ballen on Thursday announced its long-awaited economic reform measures, which include the privatisation of numerous state-owned enterprises, a cut in public spending, a devaluation of the sucre, as well as drastic price increases for petrol and electricity.

In a nationally televised speech, the president, who took office less than a month ago, said the measures were aimed at combating persistent infla-

tion, a burgeoning budget deficit and a bloated public sector. "I am not only applying stabilisation measures, but am attacking the basic causes of the crisis," he said.

Ecuador's annual inflation rate has been hovering around 50 per cent for the past three years. The budget deficit stands at \$800m, 7 per cent of gross domestic product.

A key element of the economic reform package is the privatisation of 20 state-owned enterprises, including Ecuadorian Airlines. "Other state enterprises will be subject to

further analysis," stated Mr Mario Rivadeneira, the minister of finance. "If they do not prove to be operating profitably and efficiently, they will be privatised or put into competition with the private sector," he added.

The government also plans to reduce public spending by 4 per cent, across-the-board. In an act of co-operation, the military announced its support of President Duran-Ballen's reform package and agreed to cost-cutting measures within the military.

The president emphasised his government's intention to propose a balanced budget for 1993 and to halt deficit spending.

Other measures adopted by the government to halt inflation are the devaluation of the sucre, the national currency, by 20 per cent. One US dollar is now worth 2,000 sucres.

According to the minister of energy and mining, Mr Andre Barreira, gasoline prices will increase by as much as 300 per cent, while electricity rates will go up by as much as 90 per cent, depending on Kilowatt usage. Following street demon-

strations in previous days against austerity measures, Mr Barreira maintained, however, that rates for public transport, used daily by nearly all Ecuadorians, would not be raised.

In an attempt to avoid further popular unrest, the government has announced an increase of 10,000 sucres to the monthly bonus that all Ecuadorians currently receive in compensation for the rising cost of living. In addition, Mr Rivadeneira announced an extra bonus equal to one month's salary beginning in 1993.

NEWS: UK



New cars at Bruntingthorpe airfield, Leicestershire: the motor industry had hoped that August would mark the end of the three-year decline in demand, but sales rose by only 1.7 per cent

Car sales fail to recover

By Kevin Done, Motor Industry Correspondent

SALES of new cars in August showed "very clearly that there is no underlying recovery in demand," according to Professor Garel Rhys, professor of motor industry economics at Cardiff Business School.

"It would be a very brave man who forecast any significant recovery before the last quarter of 1992," he said. UK new car sales peaked at 3.3m in 1989, but Prof Rhys warned that sales were unlikely to reach 2m again before 1995.

The motor industry had hoped that August would mark the end of the three-year decline in demand for new cars, but sales rose by only 1.7 per cent. The month traditionally accounts for between a fifth and a quarter of annual new car sales, due to the change of registration prefix.

Ford, UK new car market leader, expects sales in the whole of 1992 to total only 1.55m, a 2.5 per cent decline from 1.59m last year.

According to figures released by the Society of Motor Manufacturers and Traders new car sales in the first eight months of the year at 1,175,600 were still 2.5 per cent lower than in the same period a year ago.

Registrations have fallen by 32.7 per cent in the last three years, the steepest decline in the post-war period.

Sir Hal Miller, SMMT chief executive, said that "a change in public perception of the prospects for the UK economy is the only remedy" for a recovery.

Both Ford and Rover are being forced to cut output on several of their UK assembly lines because of weaker than expected demand in the UK and in export markets.

Registrations in August rose by 9.5 per cent to 31,704. The increase was "from a disastrous base", however, Sir Hal said.

In the first eight months of the year new commercial vehicle sales at 142,098 were 6 per cent lower than a year ago.

Sales have fallen by 46.5 per cent in the last three years.

Rover, the subsidiary of British Aerospace, lost further ground in August with a 10.5 per cent fall in sales volume and was ousted from third place by the Peugeot group, which includes Citroën.

Rover's market share last month declined to only 11.1 per cent from 12.6 per cent a year ago, while the Peugeot group boosted its share to 12.9 per cent from 11.7 per cent.

Rover still remains narrowly ahead of the Peugeot group for the first eight months, however, with a share of 12.3 per cent - down from 14.4 per cent a year ago - compared with

the 12.1 per cent captured by the French car maker.

Citroën made the biggest gains last month among the volume carmakers with a 25.7 per cent jump in sales compared with the 1.7 per cent rise in the overall market.

Both the Peugeot group and Renault have made significant gains this year with Renault's sales volume rising by 18.9 per cent in the first 8 months.

Ford, the UK market leader, halted the erosion of its market share in August with a 9.5 per cent jump in sales volume, although its sales for the first eight months are still 6 per cent lower than a year ago.

Volkswagen, which was involved in heavy price-cutting a year ago, was another casualty last month. It suffered a 28 per cent drop in sales, which it blamed on a shortage of supplies from Germany of the new generation Golf, its best-selling car.

UK CAR REGISTRATIONS - JANUARY-AUGUST 1992

	August 1992		Aug '91		January-August 1992		Jan-Aug '91	
	Volume	Change%	Share%	Share%	Volume	Change%	Share%	Share%
Total market	373,804	+1.7	100.0	100.0	1,175,600	-2.5	100.0	100.0
UK produced	161,193	+6.6	43.1	41.1	521,834	-1.6	44.4	44.0
Imports	212,611	-1.8	56.9	58.9	653,766	-3.1	55.6	56.0
Japanese makes	47,691	-1.5	12.8	13.2	138,675	-2.3	11.8	11.8
Ford group	89,403	+9.8	23.9	22.2	274,448	-5.7	23.4	24.2
- Ford	67,597	+8.9	23.5	21.1	270,288	-5.7	23.0	23.8
- Jaguar	1,406	+9.1	0.4	0.4	4,166	-7.7	0.4	0.4
General Motors	56,169	+2.0	15.0	15.5	205,364	+3.4	17.4	18.5
- Vauxhall	55,888	+1.9	15.2	15.2	197,869	+3.8	16.8	15.8
- Lotus	105	-50.2	0.0	0.1	412	-48.8	0.0	0.1
- Saab*	2,176	+9.3	0.6	0.6	7,092	+4.4	0.6	0.6
Rover*	41,582	-10.2	11.1	12.6	145,057	-16.6	12.3	14.4
Peugeot group	48,065	+11.4	12.9	11.7	142,505	+12.6	12.1	10.5
- Peugeot	23,072	+3.8	7.6	7.6	65,331	+8.7	8.0	7.2
- Citroën	19,013	+25.7	5.1	4.1	48,674	+21.0	4.1	3.3
Volkswagen group	23,418	-19.8	6.4	7.9	73,655	-12.9	6.2	7.4
- Volkswagen	15,756	-28.0	4.2	5.9	48,106	-21.8	4.1	5.9
- Audi	3,261	+11.9	0.9	0.8	13,175	+18.6	1.1	0.9
- SEAT	2,313	-11.1	0.6	0.7	6,140	+4.3	0.5	0.5
- Skoda*	2,058	+14.4	0.5	0.5	6,231	+3.8	0.5	0.5
Renault*	17,301	+14.4	4.6	4.3	55,404	+18.9	4.7	4.3
Nissan	17,698	+3.7	4.7	4.6	51,905	-3.1	4.4	4.4
Volvo*	9,848	-1.7	2.7	2.8	33,489	-7.5	2.9	3.0
BMW	10,512	+7.1	2.8	2.7	31,051	+10.9	2.5	2.5
Toyota	10,141	-14.3	2.7	3.2	28,469	-8.2	2.6	2.8
Fiat group	10,971	+5.0	3.0	2.9	27,132	-11.8	2.2	2.3
- Fiat	10,237	+7.7	2.7	2.6	24,992	-7.0	2.1	2.2
- Lancia	184	+10.8	0.1	0.1	484	-55.2	0.0	0.1
- Alfa Romeo	550	-29.6	0.2	0.2	1,656	-41.4	0.1	0.2
Honda	6,928	+12.2	1.9	1.7	20,018	+4.9	1.7	1.6
Mercedes-Benz	4,925	+6.0	1.3	1.3	16,538	+6.5	1.4	1.3

GM holds 50% of Saab Automobile and has management control. ** Includes Range Rover/Discovery. Honda holds 20% of Rover. **VW holds 51% of Skoda and has management control. *Renault and Volvo are linked through cross shareholdings. Source: Society of Motor Manufacturers and Traders

NHS managers' wage bill soars

By Alan Pike, Social Affairs Correspondent

MRS Virginia Bottomley, the health secretary, yesterday defended increases of more than 900 per cent in salary costs of national health service managers over the past five years.

Critics of the government argued that the increases proved NHS reforms were adding to costs rather than directing resources to patient care.

Department of Health statistics show that general managers' salary costs rose from £25.6m in 1987 to £251.4m last year. This is a much sharper rise than for doctors and other NHS employees - the medical staff salary bill rose by about 50 per cent over the same period.

Mrs Bottomley said that for every £1 spent on managers the NHS spent £43 on health professionals, and that compared with other organisations the service was still "relatively light" on managers. But, she said, it needed good managers and the employment of more managerial staff had led to cuts in waiting lists.

The NHS did not begin

introducing a conventional management structure until the mid-1980s, and there are now far more staff in managerial grades. The number of people classified as general and senior managers rose from 700 in 1987 to more than 13,000 last year.

The bulk of the sharp rise in the managerial salaries bill took place in 1990 and 1991 - the period in which the government's health reforms were being introduced.

Some of the increase undoubtedly represents the more competitive market salaries being offered by trust hospitals and health authorities to attract chief executives, finance directors and other senior staff. Health department officials say, however, that most of the rise can be accounted for by existing NHS staff - such as nurses with managerial responsibilities - being transferred to the management payroll.

Mr David Blunkett, shadow health secretary, said it was an "absolute disgrace" that the commercialisation of the health service was leading to public money being spent on higher salaries for senior managers rather than the care of patients.

Swan wins order for Tyne ferry

By Chris Tighs

SWAN HUNTER, the Tyneside shipbuilder, announced yesterday that it had won an order worth almost £14m for a new cross-Tyne ferry.

The 200-tonne vessel's size is very modest by warship builders' standards, but Swan's success in clinching the contract signals the company's entry into the small ship market, where it hopes to win further work.

Swan Hunter Engineering, part of the Wallasey-based group, overcame stiff competition from six UK yards and one in Germany. It will be the smallest vessel to be built by the company since privatisation. The new Tyne ferry will be among the first to incorporate new safety measures developed by the Department of Transport following the sinking of the Marchioness on the River Thames in London in 1989, in which 51 people died.

The contract, placed by the Tyne and Wear Passenger Transport Executive, will provide work for 40 men for eight months. Work starts next month. It will not save off job losses at Swan Hunter.

House sales rise fades fast

By Andrew Taylor, Construction Correspondent

HOUSE SALES soared for 48 hours last month as buyers rushed to beat the deadline for the reimposition of stamp duty on August 19.

Wilson Bowden, the Midlands-based housebuilder, has estimated that it earned almost 8 per cent of this year's expected turnover in two days. Other housebuilders have reported similar increases.

In the week to August 19, Persimmon, the seventh-largest housebuilder in the UK, sold 92 homes - double its normal average. The rise was short-lived, however. The following week the group's sales slipped back to 24, or half its normal rate.

Many builders, which are spending hundreds of millions of pounds on special offers and incentives in an effort to stimulate sales, report that sales have sagged again since the end of the stamp duty "holiday" on homes worth up to £250,000.

Housebuilders' advertisements in local newspapers are full of offers of part-exchange deals, low-cost mortgages, offers of removal and legal costs as well as money-off and holiday vouchers.

Such offers provide the clearest evidence that recovery in

the housing market is as far away as ever.

Mr Duncan Davidson, chairman of Persimmon, estimates that selling costs had risen since the late 1980s - thanks mainly to increased sales incentives - from £1,500 to £5,000 a home. That was equivalent to an additional £28m a year off the company's pre-tax profits, he added.

Sales would normally increase after the school summer holidays, but few builders expect any recovery in

recover. Halifax said that prices in real terms, after allowing for seasonal variations, fell only 0.3 per cent last month. Nonetheless prices had been 5.4 per cent lower than in August last year.

The society's figures also showed a sharp fall last month in the price of new homes which were 1.1 per cent lower than in July. That followed increases of 0.8 per cent and 1.1 per cent in the previous two months.

The latest round of reductions may reflect the renewed concern of builders to generate sales in a very difficult market although Halifax warned against reading too much into a single month's figures.

Wilson Bowden, which this week announced a fall of 33 per cent in first half pre-tax profits to £10.1m, said it sold 100 homes worth about £3m during the 48 hours before the stamp duty "holiday" ended.

Before that the group had been averaging about 25 sales a week. The gain, however, was brief, with the company selling only a dozen homes in the week after the end of the concession.

Although other builders reported a short-lived increase in sales in the middle of August, the overriding view remained that there had been no let-up in the recession.

Mr John Low, managing director of Ideal Homes, part of the Trafalgar House construction, property, shipping and hotels group, said: "The end of the stamp duty holiday" had virtually no effect apart from bunching-up of legal completions."

He appealed to the government to abolish stamp duty and raise mortgage tax relief to help the housing market. He said parts of the market in southern England and East Anglia had been in recession for the best part of four years.

Builders fear that unless help is forthcoming, house sales will continue to languish in spite of the growth in special deals and offers.

Mr John Baker, National Power's chief executive, said: "This agreement is an example of the value of international co-operation in relation to energy supplies, which we believe could be enhanced by increasing liberalisation of energy markets."

The deal is further evidence of increasing crossover between the electricity and gas sectors since the government's energy privatisation programme. Rival generator PowerGen already has an interest in gas marketing through Kinetica, a joint venture with oil company Conoco.

Several regional electricity companies have also formed joint ventures with gas producers. Enron, one of the largest gas companies in the US, which is part of a consortium building a gas-fired power station at ICI's Wilton site in Teesside, signalled its intention last month to become an important gas marketer by buying up gas interests in the North Sea.

National Power said yesterday it was "looking at all opportunities" for marketing more of its gas.

We have a programme of building gas-fired power stations, and have built up a strong portfolio of gas supplies, so the marketing opportunities are there."

National Power acquired a small quantity of gas in June through British Gas's release programme - in which BG is selling off some of its contracted gas to competitors to reduce its share of the industrial market. The generator said it would use this to gain marketing experience.

Meanwhile, the gap between UK gas prices and those in Europe continues to widen, according to the quarterly survey of prices carried out by consultants Energy Advice and British Gas.

The UK's 18m household gas customers pay 8 per cent less than those in Netherlands, 27 per cent less than in the former West Germany, and almost 50 per cent less than those in Italy.

The figures are based on prices at the beginning of July this year, and do not take account of the further 2 per cent cut in prices that will come into effect on October 1.

NOTICE OF EXTRAORDINARY GENERAL MEETING OF THE MALAYSIA CAPITAL FUND LIMITED

NOTICE IS HEREBY GIVEN that a meeting of the holders (the "Shareholders") of the Malaysia Capital Fund Limited (the "Company") will be held at Hotel Pulitzer, P.O. Box 315-231, Amsterdam, The Netherlands on 29th September, 1992 at 10.00 a.m. for as soon thereafter as the meeting of the Shareholders of the Company convened for 10.00 a.m. on that day concludes or is adjourned, for the purposes of considering and, if thought fit, passing the following resolutions, which will be proposed as Special Resolutions.

SPECIAL RESOLUTION 1

THAT, conditionally upon the Extraordinary Resolution to be proposed at the meeting of the holders of Warrants of the Company convened to be held on 29th September, 1992 or at any adjournment thereof being passed, the Company be and is authorised to exercise all powers available to it in relation to the Company's shares (the "Shares") from time to time in the manner set out in Appendix 1 to the circular to Shareholders and Warrant-holders dated 7th July 1992 (the "Circular") and in relation to the Shares and Warrant-holders dated 4th September, 1992 (the "Amending Circular"), a copy of which has been laid before this meeting and signed for the purposes of identification by the Chairman thereof and, for the purposes of the Circular, the Amending Circular and the Circular, the following shall be deemed to be the terms and conditions of the Shares and Warrant-holders:

(a) Subject to the provisions of the Statute and the Memorandum of Association of the Company, the Company may purchase any of its own shares (including any redeemable shares), provided that the manner of purchase is first been authorised by the Company in general meeting, and may make payment therefor in any manner authorised by the Statute, including out of capital; (b) repurchases of Shares on and subject to the terms and conditions of repurchases contained in Appendix 1 to the Circular and with the Repurchase Price (as defined therein) revised by the Amending Circular such that the reference to "36.5 per cent" therein shall be deemed to be a reference to "36.0 per cent" and they are hereby approved as if such terms and conditions were separately set out in full in this special resolution and the Directors of the Company be and they are hereby authorised to implement the same and to execute and do any documents, not or thing necessary or desirable for the purposes of or in connection with the carrying out of repurchases of Shares in accordance with such terms and conditions including, without limitation, agreeing to such amendments or modifications as they may think fit to any Material Contract, (including amending and/or renewing the repurchase and expenses payable to or by any party thereto). For the purposes of this Resolution "Material Contract" means any or all of the Administration Agreement between the Company and Plesman, Holding & Plesman (Cyprus) Limited (Plesman BVI), the Investment Management Agreement between Plesman BVI and Plesman Capital Management (Far East) Limited, the Custodian Agreement between the Company and Plesman, Holding & Plesman (N.V.), the Depositary Agreement between the Company and Morgan Guaranty Trust Company of New York, Branch Office (Morgan Guaranty), the Warrant Agency Agreement between the Company and Morgan Guaranty and the Warrant Instrument (as amended) executed by the Company at dated 28th March, 1992.

SPECIAL RESOLUTION 2

THAT, conditionally upon Special Resolution Number 1 above not being passed, or if passed not becoming effective prior to the passing of this Resolution, the Company be and is authorised to exercise all powers available to it in relation to the Company's shares (the "Shares") from time to time in the manner set out in Appendix 1 to the circular to Shareholders and Warrant-holders dated 7th July 1992 (the "Circular") and in relation to the Shares and Warrant-holders dated 4th September, 1992 (the "Amending Circular"), a copy of which has been laid before this meeting and signed for the purposes of identification by the Chairman thereof and, for the purposes of the Circular, the Amending Circular and the Circular, the following shall be deemed to be the terms and conditions of the Shares and Warrant-holders:

1. Forms of proxy may be deposited at Plesman Holding & Plesman N.V., P.O. Box 1012 HK, Amsterdam, The Netherlands, or at Plesman BVI, P.O. Box 315-231, Amsterdam, The Netherlands, not later than the time specified above for the holding of the meeting. 2. Proxies need not be returned to the Company. 3. The quorum for the Extraordinary General Meeting is two Members present, in person or by proxy. If the Extraordinary General Meeting is adjourned for lack of a quorum, at the adjourned meeting the Members present shall be a quorum.

NOTICE OF MEETING OF THE WARRANT-HOLDERS OF THE MALAYSIA CAPITAL FUND LIMITED

NOTICE IS HEREBY GIVEN that a meeting of the holders (the "Warrant-holders") of the warrants (the "Warrants") to subscribe shares of par value US\$1 each (the "Shares") of the Malaysia Capital Fund Limited (the "Company") will be held at Hotel Pulitzer, P.O. Box 315-231, Amsterdam, The Netherlands on 29th September, 1992 at 10.00 a.m. for the purposes of considering and, if thought fit, passing the following resolution, which will be proposed as an Extraordinary Resolution.

EXTRAORDINARY RESOLUTION

THAT conditionally upon Special Resolution Number 1 set out in the Notice convening an Extraordinary General Meeting of the Company for this day which accompanied the Notice of this Meeting (the "EGM Notice") being passed, this Meeting of the Warrant-holders hereby:

(a) sanctions the passing of Special Resolution Number 1 set out in the EGM Notice; (b) authorises and empowers the Company to exercise all powers available to it in relation to the Company's shares (the "Shares") from time to time in the manner set out in Appendix 1 to the circular to Shareholders and Warrant-holders dated 7th July 1992 (the "Circular") and in relation to the Shares and Warrant-holders dated 4th September, 1992 (the "Amending Circular"), a copy of which has been laid before this meeting and signed for the purposes of identification by the Chairman thereof and, for the purposes of the Circular, the Amending Circular and the Circular, the following shall be deemed to be the terms and conditions of the Shares and Warrant-holders: (i) subject to the provisions of the Statute and the Memorandum of Association of the Company, the Company may purchase any of its own shares (including any redeemable shares), provided that the manner of purchase is first been authorised by the Company in general meeting, and may make payment therefor in any manner authorised by the Statute, including out of capital; (ii) repurchases of Shares on and subject to the terms and conditions of repurchases contained in Appendix 1 to the Circular and with the Repurchase Price (as defined therein) revised by the Amending Circular such that the reference to "36.5 per cent" therein shall be deemed to be a reference to "36.0 per cent" and they are hereby approved as if such terms and conditions were separately set out in full in this special resolution and the Directors of the Company be and they are hereby authorised to implement the same and to execute and do any documents, not or thing necessary or desirable for the purposes of or in connection with the carrying out of repurchases of Shares in accordance with such terms and conditions including, without limitation, agreeing to such amendments or modifications as they may think fit to any Material Contract, (including amending and/or renewing the repurchase and expenses payable to or by any party thereto). For the purposes of this Resolution "Material Contract" means any or all of the Administration Agreement between the Company and Plesman, Holding & Plesman (Cyprus) Limited (Plesman BVI), the Investment Management Agreement between Plesman BVI and Plesman Capital Management (Far East) Limited, the Custodian Agreement between the Company and Plesman, Holding & Plesman (N.V.), the Depositary Agreement between the Company and Morgan Guaranty Trust Company of New York, Branch Office (Morgan Guaranty), the Warrant Agency Agreement between the Company and Morgan Guaranty and the Warrant Instrument (as amended) executed by the Company at dated 28th March, 1992.

By Order of the Board
Plesman, Holding & Plesman (Cyprus) Limited
Secretary

Registered Office: Cayman Islands
Cayman Islands
Hague Road
George Town
Cayman Islands
British Virgin Islands
Notes:

1. The quorum for this meeting shall be two or more persons present holding Warrants or voting certificates or being proxies and being or representing in aggregate the holders of not less than 10 per cent of the Warrants for the time being remaining unexercised. If the meeting is adjourned for lack of a quorum, at any such adjourned meeting, any two or more persons present holding Warrants or voting certificates or being proxies (whether the number of Warrants so held or represented) will form a quorum. 2. Warrants may be deposited with (or the order or under the control of) Morgan Guaranty Trust Company of New York (the "Warrant Agent") for the purpose of obtaining voting certificates or giving instructions to vote in the Warrant Agent until 48 hours before the time fixed for the meeting but not thereafter. 3. Copies of the circular issued by the Company to Shareholders and Warrant-holders dated 4th September, 1992 incorporating the EGM Notice referred to in the Extraordinary Resolution are available for inspection and may be obtained by Warrant-holders from the Warrant Agent at Avenue des Arts 35, 1-1040 Brussels, during normal business hours on any business day up to and including the date of the meeting.

NOTICE TO HOLDERS OF INTERNATIONAL DEPOSITORY RECEIPT IN RESPECT OF SHARES OF US\$1.00 EACH IN THE MALAYSIA CAPITAL FUND LIMITED

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of The Malaysia Capital Fund Limited (the "Company") will be held at Hotel Pulitzer, P.O. Box 315-231, Amsterdam, The Netherlands on 29th September, 1992 at 10.00 a.m. for as soon thereafter as the meeting of the Shareholders of the Company convened for 10.00 a.m. on that day concludes or is adjourned, for the purposes of considering and, if thought fit, passing the Special Resolutions set out in the Notice of this meeting set out above.

Holders of International Depositary Receipts ("IDRs") representing the shares of US\$1.00 each in the Company (the "Shares") should note the following:

(a) Holders of IDRs have no right in their capacity as such to attend, vote or speak at the Meeting referred to above.

(b) Holders of IDRs may instruct in writing Morgan Guaranty Trust Company of New York (the "Depository") to exercise their rights as far as practicable and subject to any applicable provisions of law or of the Memorandum and Articles of Association of the Company, to exercise such voting rights in accordance with such instructions.

(c) Instructions given to the Depository shall be in writing and shall not be valid unless they shall be delivered at any of the addresses specified below (hereinafter referred to as the "Addresses") on or before the date specified below (hereinafter referred to as the "Date") in the form set out in the Circular to Shareholders and Warrant-holders dated 7th July 1992 (the "Circular") and in relation to the Shares and Warrant-holders dated 4th September, 1992 (the "Amending Circular"), a copy of which has been laid before this meeting and signed for the purposes of identification by the Chairman thereof and, for the purposes of the Circular, the Amending Circular and the Circular, the following shall be deemed to be the terms and conditions of the Shares and Warrant-holders:

(i) subject to the provisions of the Statute and the Memorandum of Association of the Company, the Company may purchase any of its own shares (including any redeemable shares), provided that the manner of purchase is first been authorised by the Company in general meeting, and may make payment therefor in any manner authorised by the Statute, including out of capital; (ii) repurchases of Shares on and subject to the terms and conditions of repurchases contained in Appendix 1 to the Circular and with the Repurchase Price (as defined therein) revised by the Amending Circular such that the reference to "36.5 per cent" therein shall be deemed to be a reference to "36.0 per cent" and they are hereby approved as if such terms and conditions were separately set out in full in this special resolution and the Directors of the Company be and they are hereby authorised to implement the same and to execute and do any documents, not or thing necessary or desirable for the purposes of or in connection with the carrying out of repurchases of Shares in accordance with such terms and conditions including, without limitation, agreeing to such amendments or modifications as they may think fit to any Material Contract, (including amending and/or renewing the repurchase and expenses payable to or by any party thereto). For the purposes of this Resolution "Material Contract" means any or all of the Administration Agreement between the Company and Plesman, Holding & Plesman (Cyprus) Limited (Plesman BVI), the Investment Management Agreement between Plesman BVI and Plesman Capital Management (Far East) Limited, the Custodian Agreement between the Company and Plesman, Holding & Plesman (N.V.), the Depositary Agreement between the Company and Morgan Guaranty Trust Company of New York, Branch Office (Morgan Guaranty), the Warrant Agency Agreement between the Company and Morgan Guaranty and the Warrant Instrument (as amended) executed by the Company at dated 28th March, 1992.

By Order of the Board
Plesman, Holding & Plesman (Cyprus) Limited
Secretary

Registered Office: Cayman Islands
Cayman Islands
Hague Road
George Town
Cayman Islands
British Virgin Islands
Notes:

1. The quorum for this meeting shall be two or more persons present holding Warrants or voting certificates or being proxies and being or representing in aggregate the holders of not less than 10 per cent of the Warrants for the time being remaining unexercised. If the meeting is adjourned for lack of a quorum, at any such adjourned meeting, any two or more persons present holding Warrants or voting certificates or being proxies (whether the number of Warrants so held or represented) will form a quorum. 2. Warrants may be deposited with (or the order or under the control of) Morgan Guaranty Trust Company of New York (the "Warrant Agent") for the purpose of obtaining voting certificates or giving instructions to vote in the Warrant Agent until 48 hours before the time fixed for the meeting but not thereafter. 3. Copies of the circular issued by the Company to Shareholders and Warrant-holders dated 4th September, 1992 incorporating the EGM Notice referred to in the Extraordinary Resolution are available for inspection and may be obtained by Warrant-holders from the Warrant Agent at Avenue des Arts 35, 1-1040 Brussels, during normal business hours on any business day up to and including the date of the meeting.

Gill hits back over £50,000 payment

By David Goodhart, Labour Editor

MR KEN GILL, who retired last week as general secretary of MSF, the general technical union, yesterday hit back at critics who accused him of hypocrisy by accepting a lump-sum leaving payment of more than £50,000 on top of his pension of two thirds of his final salary of £55,000.

Several other union leaders have recently received even more generous pay-offs, sometimes related to leaving early, and usually as a result of generous clauses for officials in union merger agreements.

Mr Gill, who was also a past chairman of the TUC's equal rights committee, said that the payment to him was based on a formula of 1.5 per cent of salary for every year's service which applied "to all staff and officials of MSF".

When the union was formed out of the merger of ASTMS, the white-collar union, and TSSA, the technical union, in 1981, all TSSA staff -

NEWS: UK

Timeshare holiday operator sheds jobs and halts high-pressure sales promotions as recession bites

Travel group closes office

By Richard Evans

HOLIDAY. Ownership Exchange, a UK-based timeshare holiday operator, has closed its main office in central London because of the impact of the recession on sales.

The office has been operating since 1985, and the hard-sell tactics of its staff has helped make the company one of Europe's most successful timeshare operators. The lease on the large Leicester Square premises was due to expire at the end of September.

The operation has had a chequered history following complaints from customers about hard-sell tactics, but the reasons for the shutdown were economic, according to Mr Ray Rantell, managing director. "It is a matter of mortgages and jobs. People are just not willing to make a financial commitment," he said.

People had still come for-

ward for the presentations at Leicester Square, but had been unwilling to sign up. "The high cost of running such a big operation in the West End is no longer economic. That era, sadly, has come to an end."

The company will continue to run its 600-apartment Clubhouse Praia da Oura holiday complex near Albufeira on Portugal's Algarve coast, which has 14,000 timeshare members, and timeshare holidays will still be marketed in Europe and through alternative outlets in Britain.

There will be around 150 full-time job losses including 140 staff at the company's marketing office at Ilford, Essex, and 12 sales administration staff at Leicester Square. In addition, a further 70 self-employed sales consultants will lose their jobs.

Other staff from Leicester Square who handle member support services are being re-

located to Ilford.

Mr Rantell's regret at the closure will not be shared by many of his customers who faced a two-hour sales pitch at the Leicester Square office. Hundreds of complaints were made by people who had received unsolicited mailshots saying they had won valuable prizes, provided they attended the presentation.

They were then subjected to a high-pressure sales promotion before discovering that their "prize" was not always what they had been led to believe.

The Office of Fair Trading issued a statement in 1990 threatening to take legal action against the company because of misleading advertisements, and the organisation agreed to change its marketing practices.

More recently, the company has been the subject of investigation concerning a "win-a-car" promotion at London mainline

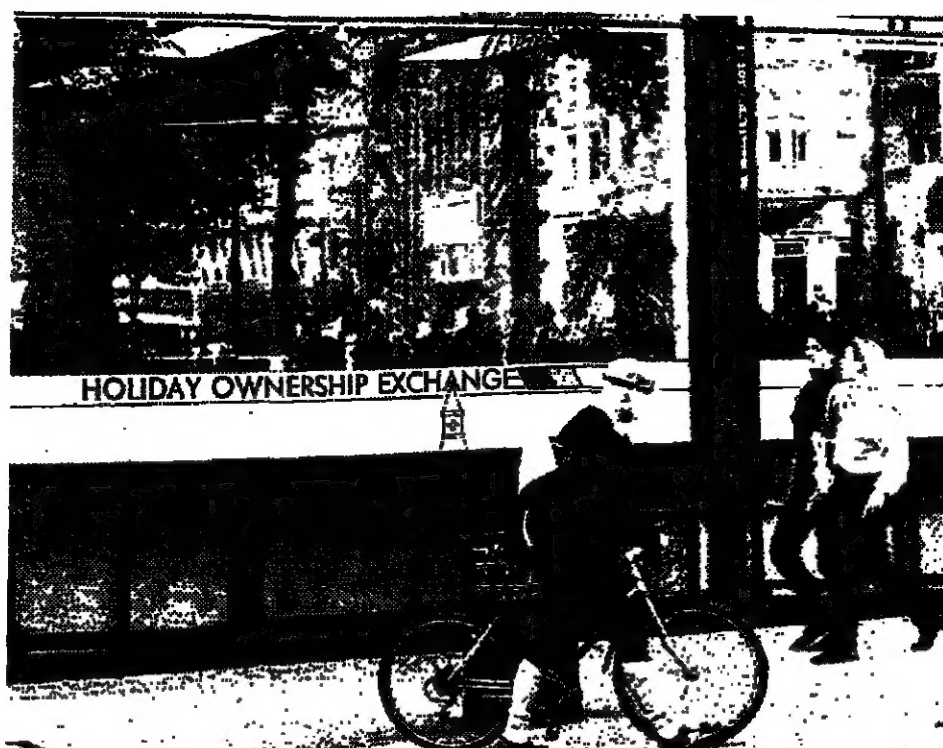
rail stations which required detailed personal information.

Mr John Lamley, assistant data protection registrar, said he had launched an investigation into the campaign following complaints from members of the public.

"When data to be stored on a computer is gathered, the subject has to be made aware exactly who is gathering the data, for what purpose it is to be used and whether it will be disclosed to a third person. On the face of it this promotion meets none of those criteria," he said.

Complaints were also received by the Advertising Standards Authority.

Mr Rantell said the promotion had been stopped, together with all other promotion campaigns in Britain. However, Holiday Ownership Exchange would continue its travel club, newsletter and exchange scheme.



The closed offices of Holiday Ownership Exchange in Leicester Square, central London, yesterday

Names look to reports for help

LOYD'S NAMES who have suffered multi-million pound losses from catastrophe reinsurance believe evidence from a Lloyd's investigation will help them win compensation, Richard Lapper writes.

The interim report into the losses of Devonshire syndicates 216 and 833/834, prepared by a committee headed by Mr Anthony Blake of accountancy firm Neville Russell, is one of several being prepared by Lloyd's to examine the losses of syndicates which participated in spiral reinsurance, in which syndicates and companies reinsured each other's catastrophe losses.

Names, the individuals whose capital supports the Lloyd's insurance market, have suffered heavy losses from spiral reinsurance business.

Lloyd's expects to disclose details of three other reports - into the Feltrim, Gooda Walker and Rose Thomson Young syndicates over the next four months.

The Devonshire report alleges underwriters bought inadequate reinsurance and that the former board of the Devonshire agency failed "to properly discharge its responsibilities".

Mr Christopher Stockwell, a Devonshire Name and leader of the Lloyd's Names Association Working Party, which links Names' action groups of loss-making Names, described it as "utterly damning".

During 1989 and 1990 losses by Devonshire syndicate 216 amounted to £38m compared with a stamp capacity (or capital base) of £43.4m, while the losses of syndicate 833/834 amount to £151m, compared with a stamp of £43m.

The report says both syndicates have had difficulty in making recoveries from reinsurers.

Berkertex appoints receivers

BERKERTEX Holdings, the clothing manufacturer and retailer, yesterday appointed receivers. The company, based in Milton Keynes, Bucks, and the west end of London, employs 1,200 people and operates 250 retail outlets. It has an annual turnover of about £40m.

Mr Christopher Morris and Mr Roger Powdrell, of Touche Ross, were appointed receivers. "Trading is continuing while we assess the position," they said.

Lecturers reject 3.9% pay offer

REPRESENTATIVES of more than 22,000 lecturers in the new universities yesterday rejected a pay offer of 3.9 per cent made by the institutes of higher education.

Natfhe, the lecturers' union, and the Association of University and College Lecturers will ballot their members over whether to withdraw from lecturer appraisal schemes and whether they would support strike action.

Glasgow weekend paper launched

THE Weekend Times, claimed to be Britain's first "weekend paper" is to be launched in Glasgow today.

The paper is published by Outram, owner of The Herald and the Evening Times, which were sold by Lorbro to a management buyout in June.

OfTel probes BT telex charges

By Hugo Dixon

OFTEL, the telecommunications regulator, is investigating whether large increases in British Telecommunications' telex charges are justified.

The move follows complaints from users about a 20.7 per cent increase in telex line charges which is to start next month.

Mrs Vivienne Peters, executive director of the Telecommunications Users' Association, a leading user group, said yesterday that the rise in charges was "totally unacceptable".

BT defended the increase in its basic telex line charge from £362 to £425 a year on the grounds that it needed to bring charges into line with costs. It added that there had been no rise since 1984.

Telex is a declining service because many users find it more convenient to use faxes for messages. BT said that, as usage has declined, unit costs had risen. But it refused to say whether telex was profitable.

OfTel said it had asked BT for information about the cost of providing the telex service. The regulatory body's preliminary view is that the rise is justified. OfTel has no direct control over BT's telex charges, but the regulator is entitled to object to rises.

Telex is still used extensively, particularly in the export-import business since many developing countries are not fully converted to fax. Moreover, telex messages, unlike fax ones, are legally binding.

Reform of milk board attacked by dairies

By David Blackwell

PLANS TO turn the 60-year-old Milk Marketing Board into a single voluntary co-operative were strongly attacked yesterday by the Dairy Trade Federation, which represents creameries and dairies.

Mr Brian Smith, president of the DTF, said he could not understand how a government that believed in a free market could be in favour of the co-operative proposal. The federation has sent its views to the Ministry of Agriculture.

The federation's reaction is the latest setback in the long process of reforming the board, which represents nearly 30,000 dairy farmers in England and Wales. Less than two weeks ago the federation and board failed to agree on plans to reform the pricing system for milk used in manufacturing.

Mr Smith said the federation approved of the board's proposal to float Dairy Crest, its wholly owned subsidiary which has a 25 per cent share of the British market for manufactured dairy products. But it disagreed with the board keeping its assets, which would be "disguised incentives" to attract farmers to the co-op.

"The proposals from the MMB tend towards replacing a statutory monopoly with a private one," he said.

The government is expected to publish a bill soon to reform the board. Final revocation of the board scheme would follow in 1994.

Trustee to interview Kevin Maxwell next week

By Andrew Jack

ACCOUNTANTS will be able to put together a more comprehensive picture of movements of money from the estate of the late Robert Maxwell as a result of the bankruptcy order against Mr Kevin Maxwell, his son, it emerged yesterday.

Mr Peter DuBoisson, a partner with accountants BDO Binder Hamlyn who was appointed trustee in bankruptcy to Mr Maxwell on Thursday, said he

intended to question "as many people as required" to help identify the assets.

He said he would be interviewing Mr Maxwell early next week.

He also expected to hold a meeting with creditors later this month to select a committee and to appoint Mr Phillip Sykes, a colleague, as joint trustee.

Under his powers as trustee, Mr DuBoisson can interview anyone who might have information on the

assets which Mr Maxwell may own.

This may include individuals such as Mr Maxwell's wife, his brother Mr Ian Maxwell, and his mother Mrs Elizabeth Maxwell, as well as advisers to the companies of which Mr Kevin Maxwell was a director.

Mr DuBoisson's role is to identify and realise for creditors existing assets and any which have been disposed of by Mr Maxwell in the last five years.

He said he did not expect monies

owed to other creditors to take the claims against Mr Maxwell above £500m and stressed that he would be working with existing accountants to minimise the costs of his appointment.

Mr Neil Cooper, head of insolvency at Robson Rhodes, who is tracing funds taken from Maxwell pensioners as liquidator to Bishopgate Investment Management, manager and trustee of the Maxwell pension funds, said he was pleased the bankruptcy

petition had succeeded.

"We know what assets there were about two years ago, but it is important that we can reconcile where they have gone," he added.

"We must be satisfied that all the puddles of wealth have been accounted for."

The High Court has yet to rule on a claim brought by Mr Cooper against Mr Ian Maxwell for £400m which could bankrupt him if his defence is rejected.

Rules on bankruptcy are the great leveller

THE RICH may have farther to fall, but once they become bankrupt those concerned - from Thursday including Mr Kevin Maxwell - are subject to the same rules as everyone else.

Mr Maxwell and Mr Asil Nadir, founder of Polly Peck International, are two of the most recent high-profile individuals to become bankrupt.

Earlier this week, Lord Beaverbrook, the former Conservative party treasurer, staved off bankruptcy with the court extending him protection from his creditors who are owed nearly £1m.

But behind the financial difficulties of these businessmen lie problems facing many thousands of ordinary people who have become bankrupt this year alone.

Mr Nigel Halls, a partner with Cork Gully, the insolvency arm of accountants Coopers & Lybrand, says bankruptcy can be the result of an individual who either has liabilities which exceed assets, or who does not have the cash to service debts in the short-term.

Statistics released last month by the Department of Trade and Industry for the first half of 1992 show 18,389 people were declared bankrupt in England and Wales, and 5,578 in Scotland. That represented a jump of 60 per cent and 52 per cent respectively on the same period last year.

Separate figures from the Lord Chancellor's Department show that individual bankruptcy petitions in the courts in England and Wales - which register more quickly than the DTI figures and do not always result in bankruptcy - increased by 43 per cent to 23,032.

The future looks no less

Andrew Jack on the increase this year in personal insolvencies

gloomy. Cork Gully estimates that there will be 50,000 individual bankruptcies for the whole of this year. Many thousands more are still bankrupt from previous years.

The recession has obviously caused an increase in bankruptcies as people have lost their jobs, found mortgage payments beyond their means and suffered rising interest rate charges on credit-card loans and other forms of debt.

However, Mr Halls says: "Bankruptcy is no longer the stigma it used to be." People have shaken off the image of the debtors' prison and increasingly see the procedure as a realistic way to cope with mounting debt.

At the same time, many practitioners point a finger at the government's insolvency service. Underfunding, combined with the increased volume of work in the last few years, has led to less scrutiny of a bankrupt's affairs than used to be the case.

Bankruptcy under English law can result from two sources: debtors' petitions, which are brought by the individual and comprise nearly two-thirds of the total this year, and creditors' petitions, which are brought by others owed money by the individual.

A petition is lodged with a county court or the High Court and if it is not challenged, a

bankruptcy order is issued by the judge.

If there are assets which can be recovered, a trustee in bankruptcy will be appointed. Otherwise, an official receiver from the government's insolvency service is appointed.

The trustee sets about investigating and realising the bankrupt's assets, and has the right to question others with knowledge of the assets.

Any assets against which there are charges - such as mortgages - go to the "secured" creditors. Preferential creditors, including the Inland Revenue and the trustee himself, must then be paid in full. Any remaining money is distributed between the other creditors.

Bankrupts can keep a normal working salary or state benefits on which to live after the order is in place but any windfall gains can be realised by the trustee with the approval of the court. They cannot be a director or manage the affairs of a company, stand for public office, or incur credit above £250 without declaring their status.

Those with debts below £20,000 are normally discharged from bankruptcy after two years. Those with debts above this level are typically discharged after three years. Once discharged, creditors have no right to make claims on any money the bankrupt makes.

However, if the official receiver objects to the discharge - which may be because the bankrupt refuses to co-operate, does not comply with the procedures or is found to have committed fraud - the period can be extended indefinitely.

Warburg sets alarm bells ringing

S-G. WARBURG'S decision to cease making a market in 363 stocks has created some alarm among the 90 companies whose shares risk being dropped from the main market to the Stock Exchange's relatively new Bulletin Board, which provides information to help match buyers and sellers of the shares of illiquid smaller companies.

Those facing relegation to the Bulletin Board are left with only one market maker after Warburg's withdrawal - they have two weeks to find a replacement.

Mr Paul King, chairman and managing director of Property Partnerships of Norwich - one of the 90 - was shocked by the Warburg decision. "We are a highly respectable and highly solvent company. We have been quoted since 1962."

"It's come as a complete surprise. Operating on the Bulletin Board is easier said than done. We don't have the resources to buy the company to go private. I don't know what to do."

His concern was echoed by Mr David Frame, chief executive of Osborne, manufacturer of animal feed, who said: "Warburg haven't been the least bit of good for us."

"The market they've made has been so small it hasn't been worth it. Their failure really shows that the stock exchange is failing to deal with illiquidity of company stocks."

Mr Frame said when Lord Parkinson, the former government minister, joined the board, he had to wait two months before he could buy shares, eventually buying through another broker.

"Warburgs were unable and unwilling to make a market," Mr Frame added.

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Jane Fuller, Tim Burt and Sara Webb on the market-making problems of smaller companies

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aging director of Winterlood Securities, which specialises in making markets for smaller companies' shares, said many of the 90 companies would feel they had been "virtually delisted and they could not raise money [equity finance] with that sort of status."

"These companies paid a great deal of money to get a quote and now they are being driven back into the clutches of the banks."

He favoured modifications to the system to help the market maker in smaller companies, and so stimulate liquidity.

The Stock Exchange stressed that companies were not being delisted. They still had access to the full range of capital-raising methods.

Mr Andrew Beeson, at stockbrokers Beeson Gregory, which has four clients left with only one market maker, said the Warburg move was part of a trend towards an order-driven, market in less liquid securities.

"The vast majority of trade in smaller companies is not

through market makers, but through people like ourselves who talk to investors about buying and selling and then work at matching the business."

He did not think that a company's ability to raise money by issuing shares would be affected.

The Stock Exchange said that it could not make companies liquid, nor could it interfere with the commercial decisions of its members. "We can only provide an alternative mechanism where market makers feel they cannot commit the necessary capital."

For those companies facing a move to the Bulletin Board the advantages included: orders displayed that may enable an immediate trade; an order could be posted to attract takers; prices were indicated; the broker was named and it was well placed to know who was interested in doing business.

The Exchange said it was reviewing market structures and proposals were expected before the end of the year.

Farmers to invest in urban invasion

By Paul Cheeswright, Midlands Correspondent

FARMERS from the Shropshire village of Wen have decided they might make a better living by coming out of their rural hideaways and staging an urban invasion.

Led by Mr David Hurren, secretary of the local branch of the National Farmers' Union, 12 of them are contemplating an investment of £5m to take the business of the land to the doorstep of townsfolk in the west Midlands or the north-west of England.

They plan to buy a farm of up to 250 acres on the edge of one of the conurbations, work it as a model rural enterprise, set up craft units and a teaching centre and then a shopping complex to sell its products and those of other farms.

Such shops would not be like normal farm shops - "not cobbled together with string and licks" - Mr Hurren has

tened to assure. But they would cock a snook at the power of the supermarket chains.

"You can't beat them at their own game," Mr Hurren explained. "You can't join them at it. But there may be a way to slip in between them."

The plan gives a new slant to rural diversification: the scramble for farmers to find means of compensating for diminishing subsidy income from the European Community. "The difficulty we have found is that farmers want to do things in their own backyard," Mr Hurren said. "But you've got to go to where the market is."

Preliminary research for a feasibility study by Venture Business Consultants of Shrewsbury indicates that the idea has proved successful on a smaller scale. "We'll need some venture capital," Mr Hurren said, but at this stage he does not know how much.

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Putting a floor under markets

FOR THOSE whose first experience of markets was gained under the Bretton Woods fixed exchange rate system, the events of the past week on the European exchanges will have looked thoroughly familiar. In the argot of central bankers, fixed rate systems make the financial system crumbly, and the best insurance that governments can take out against a financial crunch is policy credibility. Within the European exchange rate mechanism Britain, with its well-judged £7.2bn foreign currency borrowing package on Thursday, had just enough of that commodity left to put off an unwelcome interest rate rise. Italy, in contrast, was unable yesterday to defer the crunch. It raised short-term interest rates by a swingeing 1% points to 15 per cent and the markets are still far from convinced that the lira has been stabilised.

That does not mean that Britain is out of the woods, for want of a better phrase. By borrowing in D-Marks it raised the cost of any future devaluation, which is the kind of gamble that foreign exchange markets find reassuring. But while the British are playing by the rules of a fixed exchange rate system in which the D-Mark provides the main anchor, the Americans are playing a game of their own in which the rules are purely domestic. After yesterday's dismal US employment data there appeared to be no alternative to further cuts in short-term dollar rates. Sterling could thus find itself again, since it tends to feel the backwash when capital deserts the dollar for the D-Mark.

The larger question, as European finance ministers meet in Bath this weekend, is how much more of this hard pounding the currencies of the ERM can take. Under the old Bretton Woods system, realignments were permitted when a currency was in fundamental disequilibrium and exchange rates could only be shored up at the cost of undesirable distortions in domestic economic policy. The system broke down when disagreements between the US and Europe over underlying policy became irreconcilable, after the Americans refused to confront the crunch to which their fiscal policy was leading during the Vietnam war.

Exporting deflation

This time the US-European differences are being managed through the mechanism of floating exchange rates. The more painful policy conflict is within Europe, where the combination of loose fiscal policy and tight money in Germany has had the effect of exporting deflation to the rest of Europe via the fixed exchange rates of the ERM. Given that the

French electorate's misgivings about Maastricht partly reflect this depressing German influence on French unemployment, it was ironic that President Mitterrand should have called on Chancellor Kohl for support in his broadcast on Thursday night. While the Bundesbank has taken most of the flak, Mr Kohl, whose determination to avoid hard fiscal choices has been one of the more striking features of the German unification process, offers a more deserving target.

The French referendum on September 20 is widely regarded as a test that could lead to a resolution of this economic conflict one way or another. Yet that seems implausible. Despite the apocalyptic rhetoric that permeates the debate, the ERM will survive, whatever happens to European Monetary Union. France, for one, will not lightly abandon the *franc fort*. The real question is who will stay within the hard core of the system.

Vicious circle

The European finance ministers will no doubt do their best to shore up confidence this weekend. But Italy is an enduring problem. A crisis in which real interest rates are approaching 12 per cent will usefully strengthen the Italian government's hand in pushing through unpalatable budgetary medicine. Yet with the lira trading below its D-Mark floor yesterday afternoon, the markets are still not convinced that the medicine is tough enough. Italy is caught in a vicious circle whereby an increase in interest rates further undermines credibility because of the impact on an already excessive budget deficit.

Britain in many ways poses a more interesting conundrum. An interest rate rise may have been avoided before the politically sensitive party conference season. But the combination of a stagnant economy, an overhang of private sector debt and sharply deteriorating public finances is not designed to buttress credibility over a longer period. Nor does a robust economic recovery seem compatible with any realistic assessment of German monetary policy for the foreseeable future.

In the short run real interest rates continue to rise as inflation comes down. House prices, according to the Halifax Building Society, are still falling. Corporate profits, witness the interim figures now emerging, are squeezed. In releasing the most damning extracts at the start of the week and demanding a response from the boards by the end of this month. The handling of the announcement could have been subtler. Parents and children who a week earlier had been celebrating examination passes found the achievements devalued.

Mr Patten is unrepentant: "What the report tells us is that there are serious question marks over the way the examining process has been conducted." It was vital to seek an urgent remedial action was necessary would have to be taken before next summer's examinations. "At this stage every single week counts if it is to be got right."

But Mr Patten - who stressed that one of his principal objectives was to achieve a period of "peace and quiet in the classrooms" - is adamant that he had not sought to provoke new controversy.

He had not known of the existence of the HMI study until the results landed on his desk 10 days ago. He had intended to spend this month working on the school restructuring outlined in his July white paper. "I would have much preferred not to have this report on my desk."

Nor, he insisted, should his reaction be taken as an attack on the

national classrooms. "The criticisms are aimed not at pupils, not at teachers, not at teachers' training colleges. They are aimed fairly and squarely at the examining boards."

His response to the ensuing row is likely to disappoint both the traditionalists and those conjuring up fears of a new Tory plot to engineer the return of the O-level.

Mr Patten is a politician shrewd enough not to slam the door entirely on the traditionalists but, asked whether his starting point was to improve the GCSE rather than scrap it, he replied simply: "Sure." An "awful" he added, could be put right within the present framework: "I certainly hope that we can make a single examination work."

The future provides an intriguing insight into the way Mr Patten intends to run the schools system over the next few years.

On one level, his appointment after the April general election marked a break with the past. The



It is tough and go, but it looks as if France's baffled European Community partners can start to breathe a bit more easily.

The signs are that French President François Mitterrand's magisterial television appearance before an audience of 8.5m viewers on Thursday evening has helped to calm the electorate's fears of the consequences of accepting the Maastricht Treaty on European Union.

It is, however, too early to predict whether his three-hour performance, backed by an appearance from German Chancellor Helmut Kohl, will turn the fine balance between the Yes and No vote into a firm majority when France votes on the treaty on September 20. The French press yesterday reckoned the Mitterrand show produced a narrow victory over the No voters.

The debate was clouded by the peculiarities of French politics. Yet it also underscored certain general weaknesses in the Maastricht treaty, which are likely to be exploited by its opponents in other EC countries.

Mr Mitterrand achieved two important objectives under questioning from a panel of 14 supposedly representative citizens, three journalists and a surprisingly eloquent Philippe Séguin, the Gaullist former government minister who leads the anti-Maastricht campaign.

First, he cooled the temperature of what has been until now an emotional and ill-informed public wrangle. He avoided the temptation to predict Armageddon in the event of a No, saying instead that Europe would lose several years in its development - a moderate argument that is bound to increase his credibility, battered by rising unemployment, perceived remoteness from the electorate and party political scandals.

At the same time, Mr Mitterrand sought to calm fears of loss of sovereignty by reminding viewers that the treaty was designed to "protect France and Europe from the free-for-all that would have followed the simple application of the Single European Act", the 1985 treaty which paved the way for the abolition of trade barriers between member states.

Second, he resisted pressure from both pro- and anti-Maastricht campaigners to consider resignation, at least for the time being, in the process helping to take France's tangled domestic politics out of the debate.

All this should encourage the electorate to lay aside their own feelings about the increasingly unpopular president and focus on the real issues in the treaty when they vote. Yet even if the French do manage to hold down the debate to the nuts and bolts of the treaty - economic and monetary union, security and foreign policy co-ordination - the balance between the Yes and No camps is painfully fine.

The show uncovered a gamut of gripes about the European Community as it is now and as it would be were Maastricht to be ratified by the 12 EC member states. They ranged from loss of economic sovereignty, to fears of German domination, to an autocratic Brussels bureaucracy and the absence of French influence in the EC process.

The gripes also centre on issues that have nothing to do with the treaty, such as immigration, which might seem ironic from one of the few countries to have ratified the Schengen free travel accord, which sets a common visa policy for its

France's TV debate on Maastricht has helped to calm the electorate's worries, say William Dawkins and David Buchan

High marks for Mitterrand show



Magisterial performance: President Mitterrand (left) debated with a surprisingly eloquent Séguin

eight signatories. Working hours, the threat from Japanese industrial competition and the future of farming were other strictly non-Maastricht issues - all the daily bread of French politics - and were thrown into the debate by the citizens' panel.

It could be that the French public has woken late to the general obligations of existing EC membership and that Maastricht has snapped the country out of its Euro-daze with a nasty start.

This might seem surprising to other Europeans who think of France as a self-confident wielder of power in an EC it has largely designed. But it is understandable given that the current campaign is, as Mr Mitterrand sadly admits, France's first proper debate on Europe for 40 years.

Mr Mitterrand took a risk by agreeing to appear at all, just as he did in deciding on June 3 to call a referendum, when the treaty could have been ratified by parliamentary procedure. Many pro-treaty campaigners feared he might do more harm than good by appearing on television this week, by linking people's feelings about Maastricht with the Socialist government's image.

Perhaps, argued some commentators, the Yes cause would have been better served by an opposition party leader favourable to Maastricht. Candidates include former president Valéry Giscard d'Estaing, leader of the centre-right UDF, or

Mr Jacques Chirac, head of the Gaullist RPR. A majority of their supporters is against Maastricht, so unlike Mr Mitterrand they would not just be preaching to the converted among their party rank and file. And they pull more votes than the Socialists, who won a mere 18.3 per cent of the vote in March's regional elections.

In the event, Mr Mitterrand performed with cool audacity, betraying not a hint of worry over his unpopularity. "How can I be Mr Séguin's opponent?" he joked. "I am president of all the French, including Mr Séguin."

Few leaders can speak unscripted for so long without making a blunder, let alone sweltering under spotlights in an echoing hall of the Sorbonne. Mr Mitterrand seemed positively to flourish under pressure, smiling with satisfaction as he thought up answers to aggressive questions. The wily old fox may be temporarily cornered, but he is not finished by a long chalk.

As usual, when pushed on his own future, he was enigmatic. Some, including his own supporters, have urged Mr Mitterrand to resign to guarantee a Yes, while the opposition is obviously urging him to stand down in the event of a No. "I will take the responsibilities that fall to me" a day or so after the result is known, said Mr Mitterrand. "If it is true that I do that much

harm to the treaty of Maastricht, then I must take the greatest possible account of the advice of my adversaries and others - but do you think that it has got to that point?" he added.

If the Mitterrand show might help to soothe French agonising over Maastricht, it is less certain that it succeeded in laying to rest all the popular fears of the consequences of European union as underlined by Mr Séguin. He did not draw as much blood as he could have done, perhaps conscious that he might again become a minister if the right wins next March's parliamentary elections, as seems likely.

However, he drove hard at a theme that strikes a chord in many member states, by complaining of the weight of "technocratic" rule from Brussels. This has become a sensitive point on all political sides in France over the past year, with several Commission rulings against French industrial interests.

Mr Séguin pushed Mr Mitterrand on to weak ground by referring to the prime role which the Maastricht treaty gives to the European central bank in running the eventual single currency. Economics have never been Mr Mitterrand's strongest suit.

The president agreed that technocrats could be "cold monsters", but stressed that it would be "politicians, elected by universal suffrage, and not the technocrats" who would decide overall economic policy. The criteria by which economies must

bring their inflation levels, budget deficits and interest rates to converge would be applied with the utmost sensitivity, he said.

Political control over the central bank was France's negotiating aim in the long wrangling over Maastricht. But it is not at all clear in the Maastricht text whether France really achieved its aim of keeping the "economic government" of Europe out of the hands of unelected central bankers. It was of course Germany's minimum demand over Maastricht that the central bank be properly insulated from political pressure.

Mr Séguin must have made a telling point to many French voters - victims of some of the highest real interest rates in Europe - when he argued that "anyone who has mastery of monetary policy has the main hand in setting and carrying out economic policy". In other words, how would the French like to see their government's spending policy steered by European banking officials?

Most of the talking on another French public worry, German domination, was left to Mr Kohl, addressing the debate from his office in Bonn. Here, he might have steered too close to the truth for the liking of touchy French opinion in saying that France need not have an inferiority complex. He went on, however, to sound more comforting by pledging that a post-Maastricht Europe would not be German, but belong to all member states. "There is no German demon," he said. Take the "advice of a friend", said the chancellor - suddenly looking avuncular - and vote Yes.

Another difficulty in selling Maastricht, as Mr Mitterrand found out on Thursday night, is the special treatment it gives one country, Britain, on monetary union and social policy.

As Mr Séguin noted, once France ratifies the treaty, it would have no chance to opt out of a single currency as the UK will. Mr Mitterrand dismissed the issue of Britain's opt-out on social policy, saying one needed "patience, as in all families" for everyone to agree. But it became clear on Thursday that for proponents of EC labour regulation, Britain's opt-out on social policy is a serious flaw, while for opponents of such regulation it is an unfair privilege.

It is doubly odd for Mr Séguin, and other No campaigners, to rail against Maastricht for shutting eastern Europe out, when fears of people and food flooding into France from the east are precisely those that rally people to their cause.

But the fear of loss of national identity is what lies behind the anxieties raised by Mr Séguin and others; fears that France may see its power and freedom of manoeuvre disappear in a closer European union.

The sovereignty card is a hard one for a Gaullist to play against Mr Mitterrand, who has all the haughtiness of De Gaulle. "You cannot give the impression," he told Mr Séguin, "that France is suddenly losing its sovereignty, and submitting itself to foreign domination. Do you think I could accept that any more than you?"

At the very least, Mr Mitterrand's rare television debate has regained some of the ground lost by the Yes campaign. Those among his supporters who thought that calling the September 20 referendum was a crazy risk must now be breathing a sigh of relief. Yet he is not home and dry.

MAN IN THE NEWS: John Patten

Smooth scourge of low standards

There are few things more calculated to touch a raw nerve with parents than the suggestion that the standard of their children's school examinations has fallen.

So when Mr John Patten, the education secretary, this week demanded an urgent inquiry into the reliability of GCSE results, he provoked a predictable furor.

Educational traditionalists who fought the replacement in 1988 of the two-tier system of O-levels and CSEs with a single test for all 15- and 16-year-olds were delighted. They believe that egalitarianism has eroded standards, particularly for bright children.

What Mr Patten would call the educational establishment was furious. Teachers' unions accused him of undermining real improvements in GCSE performance. Political opponents seized on his record as an unabashed self-publicist to accuse him of seeking cheap headlines before next month's Tory party conference.

At the heart of the controversy was Mr Patten's strong reaction to a report by Her Majesty's Inspectorate into the record level of passes in this year's GCSEs.

The report said that there was evidence pointing to a gradual erosion in standards since 1988. It suggested that the quality of teaching by the independent boards which set and mark the examinations was uneven. HMI's inspectors were concerned that it was too easy for children to achieve the top grades and insufficient attention was paid to punctuation and spelling. Alongside these criticisms was the more measured comment that many of the shortcomings were neither new nor easy to solve.

Even opponents of the GCSE

acknowledge that standards among the examining boards which set O-levels often varied widely. Mr Patten does not recall it, but the Jesuit-run grammar school he attended in south London frequently directed pupils to different O and A-level boards to maximise pass rates.

The full report was published only yesterday. But the education secretary seized the initiative by releasing the most damning extracts at the start of the week and demanding a response from the boards by the end of this month.

The handling of the announcement could have been subtler. Parents and children who a week earlier had been celebrating examination passes found the achievements devalued.

Mr Patten is unrepentant: "What the report tells us is that there are serious question marks over the way the examining process has been conducted."

It was vital to seek an urgent remedial action was necessary would have to be taken before next summer's examinations. "At this stage every single week counts if it is to be got right."

But Mr Patten - who stressed that one of his principal objectives was to achieve a period of "peace and quiet in the classrooms" - is adamant that he had not sought to provoke new controversy.

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national classrooms. "The criticisms are aimed not at pupils, not at teachers, not at teachers' training colleges. They are aimed fairly and squarely at the examining boards."

His response to the ensuing row is likely to disappoint both the traditionalists and those conjuring up fears of a new Tory plot to engineer the return of the O-level.

Mr Patten is a politician shrewd enough not to slam the door entirely on the traditionalists but, asked whether his starting point was to improve the GCSE rather than scrap it, he replied simply: "Sure." An "awful" he added, could be put right within the present framework: "I certainly hope that we can make a single examination work."

The future provides an intriguing insight into the way Mr Patten intends to run the schools system over the next few years.

On one level, his appointment after the April general election marked a break with the past. The

47-year-old former university lecturer is as self-consciously smooth as his predecessor, Mr Kenneth Clarke, is instinctively abrasive.

He is the product of the state system and sends his six-year-old daughter to a central London primary. He has long had a professional interest in education. His overall approach is infused with the notion that comes with devout Catholicism.

His appointment sent a signal to the teachers that, after the upheavals of the past few years, the government was anxious to rebuild classroom morale.

The white paper carried the same message. The radical thrust of the shift to grant-maintained status would continue but there would be no "big bang". The process instead would be "evolutionary". Local education authorities will rather than face outright abolition.

Peace in the classroom, however, is not to be bought at any price. Mr Patten is determined, for example, to grasp a political nettle long avoided by education secretaries and reduce the 1.5m surplus places in the nation's schools.

More importantly, this week's row signals that he has no intention of retreating from the Conservative assault on the "progressive" teaching of the 1960s and 1970s.

The education secretary is an ambitious politician. Until his appointment in April he had been stranded on the fringe of the cabinet for five years. He is acutely aware that there is no political future for a Tory education secretary who is perceived to be soft on the educational establishment.

So making friends with the teachers does not mean making up with their unions or with the progressive educational theorists said by the government to dominate the local education authorities and teacher training colleges. Nor does it mean accepting an erosion of what the average Tory voter might define as standards. Peace and quiet, in other words, is to be relative.

Philip Stephens

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The BBC's brave new world may look old, says Raymond Snoddy

"There are some things we simply don't have to get involved with in future," he said. "I don't think we have to have, for example, so many quizzes, money-based quizzes or entertainment quizzes on BBC Television. We don't need

Derivative formula comedy or simple and unchallenging game shows are out. There is no room for entertainment programmes which belittle or humiliate members of the public.

"The BBC will need to with-

In addition, the BBC would continue to schedule mainstream current affairs and religious programmes in prime time even though ITV is steadily moving towards concentrating on popular entertainment which can be virtu-

In its own words the corporation has set itself four important areas on which to concentrate:

- News and information across what it refers to as a "range of outlets" to support

- Development and expression of British culture and entertainment;
- Programming and services creating opportunities for education;
- Communication and interchange of cultures and ideas

At a cursory glance it seems difficult to take exception to such a mission for the future which is about as controversial as apple pie and motherhood. And surely it is wise for the BBC to march gradually uphill, away from what is likely to become an increasingly bitter

It is a rare organisation that

Public service broadcasters all over Europe will be watching to see how the corporation resolves its conflicts in what is becoming one of the most competitive broadcasting markets.

Although some of the euphoria that greeted the plan in financial markets on Thursday subsided following the announcement of yesterday's extremely poor US employ-

The idea was taken up in Treasury by Mr. Paul Gray, un-

for managing the UK's foreign reserves, was the mover behind the scheme, the Bank was reluctant to discuss details of its intent. Senior executives of

drawn in D-Marks.

ation on our the money able," said a lved in the days of nego-

Community loan, banks had refused to get EC loan. In the more generous of a point over London Interbank

With the Treasury's four clearing banks and other banks to join the scheme, the four clearers will handle 850m each. Another

had achieved this objective. The dollar's new tribulations during the week showed that the Treasury was right to move and that it had the chance.

ures. It still proved its sterling, which only a few more had been heading for its DM2,770 floor in the exchange rate mechanism in London last night, unchanged from Thursday.

secretary in charge of the monetary policy group. Mr Lamont took up the proposal immediately on his return from holiday on August 24. It was around this time that the Bundesbank was advised of the UK's wish to borrow DM marks.

...it is this that was the

English clearing banks, Barclays, National Westminster, Lloyds and Midland, were called in to see Mr Penderleith on Wednesday August 26.

Though the governor, Mr Robin Leigh-Pemberton, was not present at the meeting, the bank's planning

tations were required to the terms of the deal. The nations were quite because there were no for a Ecu bank loan to ment on this scale.

...he all felt that the ke

Offered Rate. Although satisfactory to the government, bankers were concerned that it might face accusations that the money was too dear.

In the event, the four clearers provided Ecu 850m each. Another

for the plan on the markets showed that it had achieved this objective. Yesterday's new tribulations surrounding the dollar showed that the Treasury was right to move when it had the chance.

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

The Lottery Promotion Company is clearly rattled by arguments that a lottery could have harmful social effects; it therefore attempts to re-write normal definitions of gambling and ignores overseas evidence.

Mr Ogier, who is also the Managing Director of the British lottery to generate substantial new money for good causes, not to mention an adequate return for its operator, unrestricted advertising and promotion on broadcast media and the widest possible availability of tickets will be necessary. Mr Ogier would argue that experienced gamblers will be able to resist the temptation of losing by not doing the lottery but his target is to be those who currently gamble small amounts

weekly or who do not gamble at all.

If the government permits the national lottery to be promoted on a scale not presently allowed by any other form of gambling, it will witness the damaging social consequences that are evident overseas, with the Irish Republic as a good, nearby example. Mr Ogier can redefine the lottery as entertainment if he wishes, but it will not alter the adverse impacts deriving from unrestricted promotion.

Malcolm Hughes,
managing director,
Vernons Pools,
Fortune House,
Park Lane,
Liverpool L68 1AA

Debt would constrain graduates

From Mr Robert Schon.

Sir, Your leader, "College for All" (September 1), raises the spectre of UK students in higher education paying for both tuition and keep.

I have always felt that one advantage enjoyed by UK graduates as compared with their US counterparts is that, as a sovereign state, UK graduates do not enter the job market with substantial debt obligations. This, in my opinion, allows them greater flexibility in the selection of their career as, in

seeking employment, attaining a salary sufficient to service their debt obligation is not a factor. This has been one of the reasons why quality graduates have, to date, felt able to pursue socially important careers albeit they are poorly remunerated.

I am also concerned that a move such as you suggest will have undesirable inflationary consequences and could lead to a structural change in entities such as the National Health Service where the government would need to increase salaries or waive debt to attract a qualified workforce.

Robert Schon,
14 Dominion Street,
London EC2M 2RJ

From Mr Michael Boland.
Sir, I read with interest Charles Batchelor's article, "Badge of quality" (September 1) and the views expressed by Mr Bernard Juby on BS 5750 and the role of a consultant in the process.

In Mr Juby's opinion a consultant is someone who "charges an arm and a leg". The cost of 15 days' consultancy under the Department of Trade and Industry scheme should be a maximum of £3,000 with another £3,000 approximately for management time. Certification should be achieved on average, within three months. In the case of Mr Smith, who achieved certification without using a consultant, he spent one day a week over two years (half a man year) which would cost an average company approximately £20,000. Based on these figures, it can be seen that the consultancy route can save a company both time and money.

Additional benefits can be achieved from using consultants, such as obtaining an objective/independent view on the company's existing activities and "tapping" on the consultant's broad range of acquired industrial experience.

*Michael Boland,
director,
BEP Group,
London House,
271-273 King Street,
London WC2L 9LZ*

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BUILDING SOCIETY INVESTMENT TERMS

	Product	Gross CAR	Net/CAR	Interest paid	Assurance balance	Access and other details
Alliance and Lancelotti	Nightly Day	9.70	7.28	Yearly	Tiered	9.25% BPS/57/40
	Weeks	9.15	6.86	Yearly	£10,000	6% LHM; open interest access
	Instant Access	8.20	6.15	Yearly	7,907/587/57/303/10	Tiered
	Tenor	16.15	N/A	Yearly	£10	28 days notice/interest in line
	Summit	9.55	9.05	Yearly	£50,000	90 days notice LHM for lhm line
Barclays 02526 733999 Barclays 0200 337005 09002 731710 Bradford and Bingley 02274 541543	Guaranteed Buy	9.00	7.50	Yearly	£10,000	Not available
	Flexi Classic Ind II	9.30	7.30	Yearly	£1,000	inst./Bonds for the withdrawal
	Maximum Bonds	6.85	5.14	Yearly	£1,000	inst./Bonds for the withdrawal
	Maximum Bonds	7.95	5.89	Yearly	£10,000	inst./Bonds for the withdrawal
	Maximum Option 6	8.00	6.95	Yearly	£2,500	inst./Bonds for the withdrawal
	Max High Ret Tenor	4.30	N/A	Yearly	19,000	£12 m+ up to 100% 10 30% on over 100%
	Max Annual Account	10.10	7.36	Yearly	£50,000	inst./Bonds for the withdrawal
	Max Annual Account	9.50	7.88	Yearly	£30,000	inst./Bonds for the withdrawal
	Weeks	9.20	6.90	Yearly	£10,000	inst./Bonds for the withdrawal
	Select	9.00	6.75	Yearly	£25,000	inst./Bonds for the withdrawal
Bristol and West 0822 294271	Select	8.60	6.45	Yearly	£10,000	inst./Bonds for the withdrawal
	Select	7.80	6.05	Yearly	£2,000	inst./Bonds for the withdrawal
	Select	7.00	5.55	Yearly	£10,000	inst./Bonds for the withdrawal
	Select	1.90	1.13	Yearly	£1	inst./Bonds for the withdrawal
	High 30	10.00	7.50	Yearly	Tiered	inst./Bonds for the withdrawal
Caixa Interest Bond	Bond 2	10.55	7.91	Yearly	Tiered	inst./Bonds for the withdrawal
	Bond 2	10.35	7.76	Yearly	£50,000	inst./Bonds for the withdrawal
	Caixa 2	8.00	6.00	Yearly	£1	inst./Bonds for the withdrawal
	CA "Stakes"	10.25	7.49	Yearly	£1	inst./Bonds for the withdrawal
	Cheltenham & Gloucester	10.20	7.65	Yearly	£25,000	inst./Bonds for the withdrawal
	0800 337005	9.50	7.00	Yearly	£1,000	inst./Bonds for the withdrawal
	County 0203 252077	5.00	3.75	Yearly	£1,000	inst./Bonds for the withdrawal
	10 Day	9.25	7.68	Yearly	£40,000	inst./Bonds for the withdrawal
	10 Day	9.40	7.35	Yearly	£25,000	inst./Bonds for the withdrawal
	10 Day	9.30	6.97	Yearly	£1,000	inst./Bonds for the withdrawal
Lloyds & Herbert 0252 495191	Instant Option	9.00	7.42	Yearly	£40,000	inst./Bonds for the withdrawal
	Instant Option	8.25	6.93	Yearly	£1,000	inst./Bonds for the withdrawal
	Tenor	10.10	N/A	Yearly	£1	inst./Bonds for the withdrawal
	10 Day Plan	7.74	5.72	1-yearly	£500	inst./Bonds for the withdrawal
	10 Day Plan	8.68	6.48	4-yearly	£10,000	inst./Bonds for the withdrawal
	10 Day Plan	9.10	6.16	1-yearly	£25,000	inst./Bonds for the withdrawal
	10 Day Plan	10.14	7.49	1-yearly	£50,000	inst./Bonds for the withdrawal
	Tenor	10.10	N/A	Yearly	£1	inst./Bonds for the withdrawal
	Manchester	9.70	7.28	Yearly	£25,000	inst./Bonds for the withdrawal
	10 Day	8.03	6.03	Yearly	£1,000	inst./Bonds for the withdrawal
Lloyds & Herbert 0252 495191	Capital Bond	4.00	7.80	30 April	£100,000	inst./Bonds for the withdrawal
	Tenor	10.55	N/A	31 Dec	£1,000	inst./Bonds for the withdrawal
	Gold	6.40	6.40	31 Dec	£50,000	inst./Bonds for the withdrawal
	Gold	10.00	7.50	31 Dec	£50,000	inst./Bonds for the withdrawal
	Gold	8.80	6.60	31 Dec	£25,000	inst./Bonds for the withdrawal
	Gold	9.50	7.88	31 Dec	£50,000	inst./Bonds for the withdrawal
	Gold	10.10	N/A	31 Dec	£1,000	inst./Bonds for the withdrawal
	Private Reserve	7.40	5.70	Yearly	£500	inst./Bonds for the withdrawal
	Instant Access	7.10	5.77	Yearly	£25,000	inst./Bonds for the withdrawal
	Instant Access	7.65	5.88	Yearly	£50,000	inst./Bonds for the withdrawal
National & Provincial	Instant Access	6.40	6.45	Yearly	£10,000	inst./Bonds for the withdrawal
	Instant Access	9.10	6.82	Yearly	£25,000	inst./Bonds for the withdrawal
	Instant Access	9.75	7.31	Yearly	£50,000	inst./Bonds for the withdrawal
	Instant Access	10.00</				

From Mr. Doug Lindskog.

Sir, The huge differential between the high German and low American interest rates gives a dramatic decline of the dollar rate and puts strong pressures on the weaker European currencies. In order to alleviate the strains and, possibly, even give way to interest rate reductions in the recession-ridden European economies, there is an increasing number of economists who advocate a revaluation of the D-Mark.

But is this policy advice really correct? Is not the opposite policy step more likely to give the desired result? There are at least two reasons why a

evaluation of the D-Mark is the better policy option. The first reason is that the present uncertainty in the financial markets up till at least the French referendum is driven by psychological factors and the policy makers' credibility. A revaluation of the D-Mark would prove that all the speculators are right and that there is a difference between the D-Mark and the rest. It would also show that the result has changed in terms of European integration and that the old credibility ranking is still relevant. Hence, a D-Mark revaluation is likely to postpone indefinitely prospects of reducing the interest rate spreads.

between Germany and the rest. A devaluation of the D-Mark would totally change the rules of the game. The speculator would be on the wrong side. Such an outcome has lasting effects on the general comprehension of the European currencies. It would show that much has happened in Europe over the last decade. A devaluation of the D-Mark might well reduce the interest rate and thus the value of the D-Mark and could possibly totally wipe them out for some countries.

The second reason is based on economic fundamentals. Take France. Any comparison between the present economic situation in France and Ger-

many shows that France is in a far better position.

One way to look at Germany after reunification is to acknowledge that the west German capital stock must now serve another 16m people from the east. Old East German capital stock is obsolete. Hence, capital is scarcer and labour more abundant. Thus, a new equilibrium requires that capital returns rise, increase and labour returns decline.

So far, the opposite has happened. A revaluation of the D-Mark would prolong the movement in the wrong direction. German labour costs would increase on an international comparison, but the

large German traded goods sector would have to reduce its prices. A revaluation of the D-Mark would give a profit squeeze. A devaluation would take the economy closer to a new equilibrium. German labour costs would decline on an international comparison. Prices might, and profits certainly would, increase. In summary, there are two important reasons why the D-Mark should not be revalued, but devalued. To convince the Bundesbank is another story.

Dag Lindskog,
Chief Economist,
Skandia Investment Management,
Stockholm, Sweden

COMPANY NEWS: UK

Isosceles at £18m and flotation plans reaffirmed

By Maggie Urry

ISOSCELES, the leveraged buy-out vehicle for the Gateway food retail business, yesterday reaffirmed its plans for a flotation in 1995 when announcing results for the year to April 25.

The group made a pre-tax profit of £18m (£3.6m) but there was an attributable loss of £146.2m (£21.2m) after a £161m write-down of the value of businesses and assets the group is hoping to sell for £57.7m.

Tale largely refers to the Herman's Sporting Goods chain in the US, the value of which was reduced by £144.8m. Isosceles published its annual report, which was given an unqualified auditors report. The previous two years' accounts had been qualified.

The accounts showed that £1.5m was paid to former directors in compensation. Mr David Smith, who led the buy-out in 1989, and Ms Liz Hignell, who was finance director, left during the year.

The group also wrote to shareholders detailing the refinancing agreement it signed with its bankers this week. Shareholders are to vote on the deal at a special meeting on October 8, but already holders of over 90 per cent of the shares have said they will support the resolution.

Mr Ernest Sharp, chairman,

said he expected to sell Wellworth, the Northern Irish food retail subsidiary, by the end of 1992 rather than floating it as it said it would in the spring. He said the group was also in talks with possible buyers for the Herman's chain, and this might be sold by the end of the current financial year.

The group's results showed a fall in sales from £3.1bn to £3bn, but the fall was almost all due to the sale of some stores to Kwik Save. Operating profits also appeared to fall, from £18.3m to £18.7m.

A drop in interest charges from £185.7m to £159.7m was largely due to the refinancing completed at Christmas 1990, when £222m of equity was added, Mr Bob Nellist, finance director, said.

He said there was a negative swing on profits of about £30m. The sale of the stores to Kwik Save had taken out profits of £5.5m in the previous year and there were exceptional costs of £2.7m relating mainly to property write-downs and redundancies. The previous year had included £7m of foreign exchange gains which were not repeated and the group capitalised £7.4m less interest in the latest year.

Mr Bob Willett, chief executive of the Gateway chain, said the group was progressing with the plan to reposition the business. "We have the solutions, we just need some time," he said.

Laird bucks sector trend with 43% rise to £21m

By Peggy Hollinger

LAIRD GROUP, the car components and industrial products company, has defied the trends of a globally depressed automotive market to report a 43 per cent increase in interim pre-tax profits to £20.5m.

Sales for the half year ended June 30 rose a more modest 15 per cent to £285m.

The results came in slightly better than analysts had been expecting, and the shares rose 9p to close at 289p.

Laird, which has spent three years investing heavily in plant and expansion, benefited from the introduction of the new Volkswagen Golf and Vauxhall Astra models last year. The group helped to develop and now supplies the systems for sealing windows and doors on these models.

Operating profits in the sealing systems division, which supplies car manufacturers mainly in Germany and France, more than doubled from last year's depressed levels to £13.7m.

The return was buoyed by the absence of last year's £2m first half start-up costs relating to the new model systems, and a return to the double digit margins achieved in 1989. Last year margins

had fallen to about 7 per cent.

Mr Charles Barton, finance director, said that although car sales in Germany were declining from the high levels of 1991, production at this stage appeared to be holding firm. Laird continued to invest in new models, although the finance director said the group's current projects did not include vehicles with the high volumes of the Astra or Golf.

Laird's plastics distribution and packaging business, which operates mainly in the US, proved a disappointment with profits tumbling 34 per cent to £3.5m. Mr Barton said there was no sign of an easing in the difficult economic conditions in the US.

However, the small Scottish company which provides products and services to the UK computer industry achieved higher profits in the first half.

The industrial products operation, which supplies plastic and rubber vehicle components, increased operating profits by 13 per cent to £7.1m.

The interim dividend is being increased to 4.2p (4p). Earnings per share, after adjusting for the bonus element of the £41m 1-for-5 rights issue last April, rose from 8.3p to 11.7p.

See Lex

Pearson ahead of City hopes with £35m

By Raymond Snoddy

PEARSON, the publishing, banking and industrial group, suffered a 14 per cent drop in pre-tax profits to £34.8m for the half year ended June 30 - a better result than the City had expected.

Newspapers, books and entertainment all improved their profits despite the effects of recession.

"With the major world economies still in or near recession we have seen no let up in the harsh trading conditions which characterised 1991, and to which the additional burden of a weaker US dollar has recently been added," said Lord Blakenham, the chairman. He believed the recession in the UK could continue for another two years and that the company was treating the current situation as normal.

"We believe we are in a strong position to live with this recession for some time to come," Lord Blakenham said.

Mr Frank Barlow, group managing director, added that cost-cutting would continue. "I don't think there is ever an end to cost-cutting," he said.

Group sales for the first half totalled £694.8m (£700.4m). Earnings declined to 4.4p (5.1p) but the interim dividend is unchanged at 5.375p.

Mr Eric de Balleine, publishing analyst at stockbrokers Pannure Gordon, said the results were a little better than expected but he was not changing his full-year forecast of pre-tax profits of £160m.

The share price closed 3p higher at 314p.

Trading profits of the newspaper division increased from £13.8m to £15.1m, an improvement of 9 per cent. The contribution to the division from the Financial Times Group, including the newspaper, business information services and Les Echos, the French business paper, rose by 22 per cent, from £10.8m to £13.2m.

Books swung from losses of £13.4m to profits of £2.4m. Most of the improvement came from Penguin, particularly in the US where the publisher has seven titles in the New York Times top 50 best seller list.

Trading profits from entertainment increased from £100,000 to £1.6m but oil services suffered a 55 per cent drop from £18.6m to £7.4m as major US oil companies ran down exploration and development.

A sharp decline in investment banking to £7m (£12.9m) reflected the reduction in merger and acquisition activity, particularly in the UK.

Fine china trading profits fell by 59 per cent to £2.2m (£5.4m), mainly because margins had suffered in difficult market conditions.

"Firm cost control by all our businesses has continued to improve our overall cash performance and reinforce a very strong balance sheet," Lord Blakenham said.

Dividend cuts already built into the share price

Andrew Taylor previews the construction sector's interim results due next week

HARDLY A day seems to have gone by this summer without some stockbroker reducing a profit forecast for a construction or building materials company.

The stockbrokers' views will be put to the test next week when some of the biggest companies in the sector are to publish results for the first half of this year.

Fears that the figures may be accompanied by dividend cuts have already caused shares to fall.

Since the beginning of June the FT-Actives Construction Index has underperformed the FT-All Share Index by about 40 per cent. The building materials index has underperformed by a quarter.

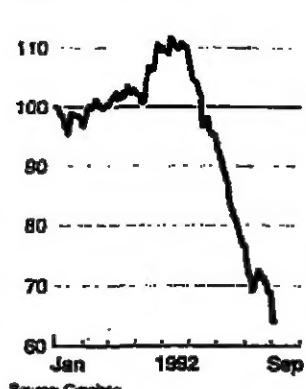
"The ability of companies to maintain payments to shareholders by raising reserves has been exhausted," says Mr Mark Stockdale, construction analyst for Warburg Securities.

"There is a growing realisation that housing and commercial property profits, bolstered by high inflation, will not be repeated even when these markets recover. Companies in the 1990s will not be able to afford dividend payments made in the 1980s."

Reduced dividends are expected from several companies.

Contracting, Construction

FT-Active Index relative to the FT-All-Share Index



Source: Graphica

Others are likely to issue warnings that year-end payments may be reduced unless trading conditions improve - which nobody expects to happen.

At best, dividends will stand still in cash terms representing a fall in real terms, says Warburg.

Deepening the gloom is the fact that there is still no sign of a recovery beginning in the UK housing market, which has been in recession for almost four years.

Margins have slumped as house prices have fallen by up

CONSTRUCTION SECTOR RESULTS DUE

Company	1992 forecast	1991 actual	due on
Rugby	30	27.4	Mon
Wimpey	(2)	(5)	Tue
Taylor Woodrow	15	23.3	Wed
Wilson Connolly	15	13.8	Thu
Amec	0.5	21.9	Fri
Blue Circle	43	57.5	Thu
John Laing	5.5	6.3	Fri
Evered	7	10.3	Fri

Source: Warburg Securities

to 30 per cent in some parts of the country. Builders meanwhile have been working through expensively priced land bought in the late 1980s, when house prices peaked.

There is concern that some contractors may have to increase provisions against their housing and commercial property operations. This has made it more difficult than usual to forecast results.

Building materials companies have suffered as sales and prices of building products have fallen as demand for construction has reduced. There is large over-capacity and further plant closures and redundancies are inevitable.

Dominating next week's results will be first half figures, due on Tuesday, from Wimpey, Britain's second biggest housebuilder.

Wimpey's share price fell by almost a fifth, from 97p to 79p, during four trading days this week on fears that the company may reduce its interim dividend from 4p paid last year.

Forecasts of first half losses at Wimpey range from £2m to £7m. In the first half last year the group made a £5m pre-tax loss.

Taylor Woodrow, the construction and property development company which has seen its share price halved from 119p to 52p since the beginning of June, is also expected to cut its interim dividend.

The company which publishes its results on Wednesday is thought likely to announce pre-tax losses of about £5m. In the first six months of last year the group made a pre-tax profit of £25.3m and paid an interim

dividend of 1.86p. Amec, which so far has ridden out the recession better than most contractors, is due to report on Thursday. It is expected to maintain its interim dividend at 4p despite forecasts that interim profits will fall from £21.9m to about £14m.

Other companies reporting on "construction Thursday" include John Laing, the contractor, where profits are expected to be only slightly down on last year's £5.3m and Blue Circle, Britain's biggest cement manufacturer, where profits are forecast to fall from £57.5m to a little more than £40m.

Leaving last year out of its final dividend from 10p to 8p but may decide to spread the cut more evenly by trimming its interim from 3p last year. Blue Circle is expected to maintain its interim of 3.75p.

Rugby, Britain's third largest cement manufacturer, is likely to be one of the few building related companies to announce an increase in interim profits which are forecast to rise from £27.4m to about £30m. It has been helped by improvements in Australia and the US, where a fragile recovery in construction output appears to have begun.

Week Ahead, Page IV

Harland Simon requests share suspension

By Angus Foster

SHARES in Harland Simon, the control systems group, were suspended yesterday at its request after the company apparently ran into serious financial difficulties.

The reason given for the share suspension was the need for clarification of Harland's financial position, a phrase often used when negotiations between companies and their bankers have broken down.

Harland, which makes control and automation systems, said it hoped to make a further statement next week.

It is understood that Barclays, Harland's bankers, had called in some of its overdraft facilities, leading to a working capital crisis.

Harland's overdraft, which is repayable

upon demand, stood at about £14m at the end of July, but has since been reduced by £5.9m with the proceeds of the sale of Vickers, a specialist blade and equipment maker.

Harland had hoped to use the proceeds of the Vickers sale to repay borrowings, and then draw down fresh facilities for general working capital needs. However, Barclays has kept the money and is refusing to extend new facilities.

Harland has been in trouble since a profits warning in February, prompted in part by exposure to companies controlled by the late Mr Robert Maxwell.

Since then the shares have tumbled from 65p to a capitalisation of £15m, to 30p at suspension, worth only £2.5m.

Mr Roy Ashman, the former chairman,

has been replaced and the company has since been dogged by reports of collapsing morale and dwindling orders. The accounts for last year were qualified after its auditors were unable to trace the ownership of a stake in a loss-making information system, PIL. The auditors could not conclude whether PIL was an associate.

Borrowings of about £5.4m represent more than 40 per cent of shareholders' funds, which fell sharply last year following losses and provisions. Further disposals were planned to reduce borrowings.

A large institutional shareholder said yesterday's announcement was "totally out of the blue". He said shareholders were expecting news of further sales, and had believed Harland's banking relationship to be sound.

Ewart board changes blocked by institutions

By Norma Cohen, Investments Correspondent

INSTITUTIONAL shareholders in Ewart, the Belfast-based property company, at an extraordinary meeting yesterday defeated a move led by a dissident shareholder, Mr Philip Monahan, to gain control of the company.

Ewart said institutional shareholders, which own 52.8 per cent of its shares, unanimously opposed proposals to replace four of its directors with nominees of the dissident shareholder group. The dissidents include Mr Monahan, chairman of Republic of Ireland-based Monarch Properties, which holds a 29.2 per cent stake in Ewart. He has been a non-executive director of Ewart since 1990 and is

backed by several Ireland-based businessmen who have business interests with him.

However, Mr Monahan yesterday signalled his intention to carry on his effort for control of the company. In a prepared statement, he said he had no intention of selling his stake and that his group would press for additional representation on the board.

Mr Barry Gilligan, managing director of Ewart, said that 96 per cent of shareholders voted, an unusually high turnout for such a meeting, and that his board had the unanimous support of institutions. He called on Mr Monahan to either support the current board or make an offer to buy the stakes of all shareholders. If neither of those was acceptable, he should resign.

Dissident seeks to take control of Andrews Sykes

By Paul Taylor

DIRECTORS of Andrews Sykes, the industrial services and environmental products group which changed its name from Braithwaite last year, face a battle for control of the company with a dissident shareholder.

Sykes said yesterday that Mr Jacques Murray, who holds a 26.3 per cent stake in the group, had called for an extraordinary general meeting. Mr Murray is also chairman of Nu-Swift, and majority shareholder in the office cleaning and fire protection group.

The meeting, which will probably be held in late October, will be asked to consider resolutions for the removal of Mr David Hubbard, chairman, and Mr David Crowe, a non-ex-

ecutive director, from the 5-man board and replacing them with Mr Murray and three of his associates.

Mr Hubbard said yesterday that he would resist moves by "a minority shareholder to grab control of the company" without making a full bid.

The directors said they would be recommending shareholders to vote against the resolutions. In their opinion and that of the company's advisers the mover "would be neither desirable for the company nor in the best interests of other shareholders."

The company's shares closed up 5p at 130p yesterday.

For the year to March 1992 Sykes returned pre-tax profits of £1.2m from a turnover of £56.8m.

NEWS DIGEST

year, but the dealerships were reporting improved results.

Taylor Nelson turns in £1.6m

Taylor Nelson AGB has issued its first set of results since becoming the largest market research group within the UK.

That followed the merger this year of Taylor Nelson with AGB, RSCB, ASL and IMR.

In the six months ended June 30 1992, the expanded group produced turnover of £20.5m, and a pre-tax profit of £1.6m, and has declared an interim dividend of 0.1p. Earnings came to 0.63p (0.05p).

Taylor Nelson's turnover rose from £8.1m to £10.4m while the AGB businesses generated £10.1m since acquisition. Last year's profit was £40,000.

Extraordinary charges of £225,000 included settlement of the Autocar litigation of £175,000, and provisions of £450,000 for rent arrears under original tenant liabilities resulting from the insolvency of tenants in leased properties which were sold by Addison Consultancy some years ago.

Broadcast returns to the black

Broadcast, the USM-quoted company which provides leasing, hire purchase and deposit taking facilities to the financial services sector, achieved a turnaround from pre-tax losses of £26,000 to profits of £125,000 in the half year to June 30. Losses for the full 1991 year totalled £400,000.

However, the results are not directly comparable, Mr JF Hampson, the chairman, said, because of the closure of the

recruitment division.

Turnover halved to £1.29m (£2.68m). Earnings per share emerged at 0.48p against losses of 0.38p.

Medeva pays £4.9m for SKB licences

Medeva, the pharmaceuticals group, has paid £4.9m to acquire the licences and trademarks of 28 products, with annual sales of £2.5m, from SmithKline Beecham.

This is the fifth acquisition by Medeva this year, and all have expanded its product range. Payment will be made in three instalments before March 31 1994. SmithKline Beecham will continue manufacturing the products.

Thompson Clive asset value up

Over the six months ended June 30 1992 net asset value of Thompson Clive Investments rose 6.1 per cent to 175p a share. A year earlier it stood at 166.7p.

Revenue fell from £718,000 to £584,000 and net profit was £106,000 (£222,000) for earnings per share of 1.3p (2.05p).

During the period £565,000 was invested in three companies, two of which are in the US and one in France.

Pittencrieff beats low US oil prices

Despite the recession and depressed oil and gas prices in the US, Pittencrieff increased its pre-tax profit by 42 per cent in the first half of 1992.

The group, also engaged in the communications business, saw turnover jump from

£4.19m to £7.09m. The profit was up from £1.55m to £2.31m, and included £401,000 exceptional net gain on the sale of the shareholding in AmBrit International.

Gross profit rose almost 50 per cent to £2.7m despite margins being reduced from 42.4 to 37.5 per cent as a result of cut in oil and gas volumes and low product prices, and the temporary impact of high operating costs inherited from recent communications acquisitions.

In communications, turnover more than doubled to \$9m (£4.5m) while gross profit doubled to \$2.5m.

Earnings were 9.4p (7.19p) and the interim dividend is 3p on increased capital (2.5p).

Sale Tilney cuts losses to £2.53m

Progress has been made towards resolving many of Sale Tilney's problems according to Mr Andrew Coppel, chief executive. However trading in the six months to May 27 had been disappointing with net liabilities increasing to £11.6m.

The company, with food, industrial, insurance and financial services interests, cut its pre-tax loss to £2.53m (£2.68m) on turnover of £44.2m (£49.3m) of which £11.2m (£8m) related to discontinued businesses.

Debt was cut from £26.3m to £20.7m over the six months. The net interest charge was lower at £1.62m (£2.31m).

The outcome for the year was dependent on the progress of certain contracts in the industrial division.

After a £1.2m extraordinary surplus, attributable losses came out at £1.51m (£4.77m). Losses per share were 9.1p

(13.6p). Again there is no dividend.

Cost cuts boost Gibbs & Dandy

An attack on costs enabled Gibbs & Dandy, the builders' merchant, to cut its pre-tax loss from £405,000 to £32,000 in the opening half of 1992.

Turnover fell 2.5 per cent to £11.3m because of the recession in the construction industry, with the consequent reduction in volume sales.

However, operating profit moved ahead from £65,000 to £121,000 as staff levels were cut by a further 5 per cent, but debts were reduced through stricter control, and operating costs were tightened.

On top of that, interest charges were reduced by £85,000 to £213,000. Losses per share worked through at 1.2p (5.1p).

Ensof tumbles £1.38m into the red

Ensof Holdings, which is engaged in the building and motor vehicle industries, ran up a pre-tax loss of £1.38m in the year ended March 31 1992 against a profit of £227,000.

Also there was an extraordinary charge of £1.65m for writing down assets and other losses consequent on the closure of the aggregate manufacturing business.

Turnover fell from £52.7m to £46.6m. Losses per share were 9.14p (earnings 2.3p).

Profits in vehicle dealership were £338,000 (£325,000), in distribution £2,000 (£218,000) and in metal products manufacture £154,000 (£229,000). The blocks and bricks side incurred a loss of £1.1m (£107,000).

Further moves in train to oust Simpsons' board

By Tim Burt

The increasingly hostile battle for control of Simpsons of Cornhill, owner of two of the City's most famous restaurants, took a new turn yesterday when dissident shareholders announced moves to oust the board.

Rebel shareholders led by Mr Robert Klapp, former chairman of Select Appointments, have requisitioned an extraordinary meeting and called for the board to be replaced.

The board, which refused to allow voting on a rebel resolution to elect two new directors at an EGM last month, has rejected the allegations.

Mr Paul Reece, managing director of Simpsons, said resolutions seeking the removal of the board and disclosure of executive salaries would be vigorously opposed.

He also dismissed claims that the rebel group had the support of 44 per cent of the shareholders.

Mr Klapp, meanwhile, yesterday outlined his long-term strategy for the company which was floated last August, raising £2m for the acquisition of Simpsons and the nearby Jamaica Inn.

"We could build up a group of traditional chop houses nationally with restaurants in towns such as Bristol and Oxford," he said.

The rebels - who already have the support of Mr Alan Crompton-Batt, an existing Simpsons' director - also revealed that investors in the Far East were behind a 16 per cent stake in the company recently purchased by Monahan registered in the Turk and Caicos Islands.

Overseas investors are thought to be interested in opening a Simpsons-style restaurant in Hong Kong.

Armour Trust

Armour Trust, the confectionery and car accessory group, has a full Stock Exchange listing and is not traded over-the-counter as reported yesterday. It also purchased for £502,000 Belcar, a car accessory importer and distributor.

Birmingham Midshires Building Society

£150,000,000 Floating Rate Notes Due 1995

Interest Rate: 10.4125% per annum

Interest Period: 4th September, 1992 to 4th December, 1992

Interest Amount per £5,000 Note due 4th Dec. 1992: £129.45

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar sinks on payroll figure

THE DOLLAR dropped more than 4 pence against the pound yesterday within an hour of the US publishing extremely poor employment figures, writes James Bly.

Both the dollar and the pound had enjoyed a spate of strong speculative European buying in the morning after the UK government's decision to borrow £10bn with which to buy sterling on the foreign exchanges. Many dealers liquidated long D-Mark positions, pushing the dollar to a high of DM1.4385 while sterling rose to DM1.8217.

The release of the August non-farm payroll figure reversed the upward trend at 12.30 London time. Dealers had been expecting a monthly rise of 150,000, but there was a fall of 83,000. The US government's summer jobs programme added 100,000 to the employment total, meaning that the underlying fall in employment was 183,000.

The dollar plunged, bottom-

ing out at DM1.3940 and closing in London at DM1.4030, nearly a penny down on the day. Sterling fell to a low of DM1.7950, but rebounded a little, closing unchanged on the day at DM1.8200.

Yesterday's events give dealers every reason to think that the dollar could dip to a new low against the D-Mark. The payroll figure will put pressure on the Federal Reserve to reduce interest rates further and dealers noted that the Fed Funds rate, which the US central bank regards as a key indicator for interest rate policy, fell by 0.25 per cent yesterday to 3 per cent. Mr Paul Chertkow, global currency strategist at USBS Phillips and Drew in London, said the same August payroll figure last year set the dollar on a downward trend over the following four months.

"The dollar's fall also indicated that, whatever policies the Banks of England and Italy may adopt to defend their currencies, they are partly at the mercy of the dollar/D-Mark cross. The UK government's £10bn borrowing plan may stabilise sterling until the French referendum is over. But Mr Mark Austin, chief economist at Hongkong and Shanghai Banking Corp in London, warned that sterling's recent recovery appeared to be on the back of speculative selling, and there was little sign of big flows back into the UK currency from investment funds.

Several dealers speculated on the possibility of a lira devaluation before the French referendum, after the Bank of Italy raised its discount rate yesterday by 1.75 percentage points to 12 per cent. The lira closed at 1,765.0 against the D-Mark despite intervention from several European central banks. The stock phrase on dealers' lips yesterday was that a devalued lira could become the "sacred lamb" by which the rest of the EMS signal their determination not to resign.

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FINANCIAL FUTURES AND OPTIONS

LIFTS LONG-TERM FUTURES

Symbol	Contract	Settlement	Open	High	Low	Close
100	100	100	100	100	100	100
101	101	101	101	101	101	101
102	102	102	102	102	102	102
103	103	103	103	103	103	103
104	104	104	104	104	104	104
105	105	105	105	105	105	105
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114	114	114	114	114	114	114
115	115	115	115	115	115	115
116	116	116	116	116	116	116
117	117	117	117	117	117	117
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LONDON STOCK EXCHANGE Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission. Details relate to those securities not included in the FT Share Information Service.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange's Telford system. They are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 33(2) stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

2 Bargains at special prices. 3 Bargains done the previous day.

British Funds, etc

No. of bargains included 2541

Treasury 13% 2000-03 £120

Government 10% 2000-03 £100

Government 8% 2000-03 £80

Government 6% 2000-03 £60

Government 4% 2000-03 £40

Government 2% 2000-03 £20

Government 1% 2000-03 £10

Government 0.5% 2000-03 £5

Government 0.25% 2000-03 £2.5

Government 0.125% 2000-03 £1.25

Government 0.0625% 2000-03 £0.625

Government 0.03125% 2000-03 £0.3125

Government 0.015625% 2000-03 £0.15625

Government 0.0078125% 2000-03 £0.078125

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LONDON SHARE SERVICE

AMERICANS

Notes	Price	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Company	Price	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	9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Weekend FT

SECTION II

Weekend September 5 / September 6 1992

Guns and drugs: Estonia's growth industries

THE trooper shoves a machine-gun in my stomach and bawls: "Dokument!" There is no need to be a linguist to know what he means. He and about five colleagues, all in riot gear, have burst into the restaurant where I am eating with an English friend, alighting on us as potential smugglers. Neither of us, alas, has his passport but we don't look hard or crazy enough to risk our lives by swallowing pure heroin tied up in condoms. The soldier lowers his gun, grunts and bounds off with his men to intimidate the only other guests in the restaurant, a young couple frozen in mid-smooch.

Another evening, another place. It is Sunday 10pm at the Viru Hotel restaurant, one of Tallinn's better establishments. There are few guests since Estonians, like the Swiss, go to bed early so they can rise with the sun and put in a good day's work. Even the DJs, who have been playing a curious mix of Abba and Elton John, have gone home. The only activity comes from a table by a window offering a view of the snow-covered city below. The guests seem to be enjoying themselves in a most un-Estonian fashion. There are about six of them, all male, sitting around a table which looks like a battlefield, the history of their four-course meal smeared on the white table cloth. They are surrounded by empty bottles of Russian champagne and a bottle, half-empty, of Armenian brandy. A pall of smoke hangs over the table and the pungent whiff of Caucasian tobacco fills the air. The men are in a boisterous mood, slapping each other's backs and toasting each other loudly. The contrast to the gaunt and frosty Estonian waiters in black tuxedos serving them could not be greater.

These are the smugglers - never Estonian, frequently from central Asia, nearly always rich - whom the Estonian KGB were so desperate to catch.

They are the kings in Estonia's fastest-growing business, boasting each other's latest deals, which often involve weapons and drugs, though sometimes it is as innocuous as caviar. Last year, 400 tons of heroin found their way to the West from central Asia. Much of it through Tallinn, Estonia's capital, and from there by ship to Helsinki, 50 miles away across the Gulf of

Finland. From there sea and air connections can be made all over the world.

"Estonia is a favoured smuggling channel for a variety of reasons," says Tarmo Tammert, an Estonian journalist. "A lot of them have to do with independence. It is a new country. All the institutions that guard borders in other countries have to be set up from scratch."

Four fifths of the heroin consumed in Europe comes from central Asia, according to Dagmar Thomas-Halasek of the United Nations Drug Control Programme. The heroin used to come from central Asia through Turkey, across Bulgaria and then through Yugoslavia.

But the conflict there has forced the smugglers to take a more northerly route through Estonia, Latvia

Pelle Noreth meets smugglers, KGB soldiers and CIA agents in Tallinn

or Lithuania. These countries are ideal places for drugs smugglers to launder their profits. Their banks, newly set up, badly need hard currency for start-up capital and, unlike Western banks, are unlikely to ask any questions.

"They need capital and will take it wherever it comes from," says Joel Jutkowitz, a drug expert. "And, if you're in the drug business, what better way to launder your money?"

Who can stop it? When Estonia became independent it had no armed forces, let alone border guards. Ants Laaneots, the newly appointed chief-of-staff, faces an enormous task in setting up a fledgling army. Barracks, equipment, trained officers and above all recruits are in short supply because there is no draft law.

The drugs trail starts in poppy fields in the mountainous central Asian republics of Tajikistan, Uzbekistan or Kirghizia. The opium is refined on the spot into heroin, which is easier to smuggle. Almost a third of the world's poppies are grown there, and small farmers are eagerly planting more. Unlike

wheat, opium is not bought cheaply by the state nor does it rot in railway sidings.

Drugs running is a labour-intensive and dangerous industry. Human "mules" carry the heroin in condoms in their stomachs or in false-bottomed suitcases to Estonia. Drugs smuggling is a capital offence in the former Soviet Union.

The drugs are moved by rail or by air, sometimes both, in a journey which crosses 5,000 km, four time zones and three or four former-Soviet republics, depending on the route. There are no borders except between Estonia and Russia. The Russians do not bother to check the border traffic. The Estonian border guards are young, inexperienced, outnumbered and outgunned. They have no mines, pill boxes or armour to stop more determined smugglers. It is said that the secret services of the ex-Communist countries are on the payroll of the heroin kings, using their contacts and skills to outwit Western drug squads.

The smugglers spend the profits on sophisticated weapons such as the American Stinger anti-aircraft missile which costs \$100,000. The weapons are used in ethnic feuds, suppressed during communism but which have resurfaced with independence. Fighting has been raging in Tajikistan. It could break out in Uzbekistan at any moment. Any money left over is spent on whisky, TV sets, videotapes and other goodies to be enjoyed by tribal leaders in private.

The central Asian republics have a tradition of criminal secret societies, sometimes promoted by their governments. In the 1970s the bosses of Uzbekistan pocketed millions of roubles from Moscow by pretending to grow cotton that did not exist.

It was an ice-cold February morning. A freezing wind swept in from the Baltic. Jaan Toomring, a customs officer, turned up his collar, looked east and sighed: another blue day, four hours of twilight during which the sun barely rose above the horizon. He inspected his first shipment. According to the label, the crates contained 7,500 sports rifles destined for the Isle of Man. When he opened the crates he found row upon row of lightly-packed, brand new Makarov



machine pistols, 15,000 in all. The weapons are standard issue Warsaw Pact weapons which would turn ducks into feathered much. Three days later a similar haul of 25,000 guns, with the same destination, was made in Helsinki, same end destination. The directors of the Isle of Man company were a myste-

rious Russian couple who operated from Yaroslavl, a city north of Moscow. They said the merchandise had been swapped at the factory where both guns are made. By whom? The couple refused to say or did not know. According to James Short, a British security expert, the Isle of Man company is a conduit

for the IRA. The smuggled arms follow a different route from the drugs, often coming from the "enemy within", the 22,000 former-Soviet army troops still stationed in Estonia. Soldiers sell their personal equipment: Kalashnikov rifles, hand-held rocket launchers and hand grenades.

Smugglers pay \$500 (£251.20) for a Kalashnikov which will, at current exchange rates, pay a conscript's wages for three years - longer than his entire draft period. The soldiers' superiors approve. "Troops ought to sell army property and material. It's the only way they can survive," the leader of an Officers' Council (a disciplinary body) told the Russian newspaper *Sovetskaya*.

The former Soviet army, which consists mostly of Russians, has reluctantly promised to leave within two years what is considered a cushy posting. And not before time, according to Laaneots: "We are still an occupied nation."

"This is the tip of the arms-trafficking iceberg," Clyde Kull, who functions as Estonia's Mr Soundbite abroad, told NATO's foreign ministers in April. He asked for infra red detectors, light arms and patrol boats to stop Estonia from becoming a channel for "arms, drugs and strategic weapons".

"If one arms cache heading for the IRA was discovered," Kull said, "the number that have slipped through unnoticed can only be guessed at." Yet only Sweden - which is not even a member of NATO - has responded so far, giving Estonia a dozen or so coastal patrol boats. Britain and most of the NATO countries on Estonia's doorstep have done nothing.

But the US, as I found out, is watching the country as closely as it did before the Second World War when Tallinn was a spies' den and a listening post on the Soviet Union.

Gerald was forthright, with a flat Slavic nose and a boxer's lip. He was the proud possessor of the only tan I saw in wintry Estonia. He said he was a visiting US businessman who was so "wowed" by my article for the local English-language paper, *The Baltic Independent*, on the illegal arms trade that he had to take its author out to lunch. He got straight to the point.

"How much do you know about the arms trade?" he asked, which I thought was an odd question from some one who claimed to export Estonian birch-tree water to the US for its homeopathic qualities. Loosened up by expensive French wine, I ditched all my journalistic integrity and told him everything - including who my sources were.

"AFP - can you clarify that is that a code name?" he asked, looking excited.

"No that's Agence France Presse. The wire service," I replied.

"Oh," he said, his interest in me waning fast.

"Listen," he said as he paid the bill with a stack of crisp dollars. "Here's my fax number in the United States. If you get any more information - hot information - on arms why don't you just get over to that little fax for yours and send it me. You will be compensated financially for it, of course."

Back in England I checked the number.

"Langley, Virginia," the US operator chirped. "Yes sir, that's where CIA headquarters are located."

Well, here you are Gerald. Hope your bosses like it.

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Long View / Barry Riley

Rewards of playing safe



TAKE LESS risk and earn a higher return? It is not in the textbooks. If the opportunity does occur for an extension period it is a sign that something is badly wrong.

Just a year ago sterling interest rates fell by half a percentage point to 10% per cent, which at the time seemingly represented just another step in a long decline. But base rates have managed only another half-point fall in the past 12 months, amid post-election euphoria. They have recently appeared more likely to rise than to fall further, though the market's immediate fears were soothed by Thursday's move to shore up sterling by borrowing DM20bn.

The phase of continuous double-digit sterling interest rates now goes back more than four years. It has been a wonderful period for cautious depositors in bank and building society accounts who even now are receiving something like 7 per cent net of standard rate tax. In fact, it is often better at present to invest in money funds that are plugged more directly into money market rates. But even though the High Street deposit rates may have dropped a little over the past year, the rate of inflation has fallen by more, from 5.5 to 3.7 per cent, so the real rate of interest has actually gone up. This is not what is supposed to happen in recessions, when money ought to become cheap. We have broken the textbook rules again.

There is a colossal distortion of the financial system. Interest rates are being held high in order to suppress inflation and prop up the sterling exchange rate. One consequence is that the reward for risk has disappeared.

According to the magazine *Money Management* £1,000 invested in a Halifax account over the past five years would have rolled up to £1,490 today, for a standard rate taxpayer. In 1987, for a standard rate taxpayer, it is still pounds that is only £1,090 but it still represents a positive real return. However, £1,000 committed to the average

unit trust would have shrunk to £914 (57% in terms of the original money). Now, you can argue that such sums based on share prices just before the 1987 crash are foolish. Moreover, the high costs of unit trusts have distorted the comparison. If you had invested directly in the stock market, on the basis of the All-Share Index, and you ignored costs but allowed for standard rate tax on dividends, £1,000 five years ago might be worth £1,070 today. Still better, suppose you shrewdly waited to invest until after the crash. £1,000 in November 1987 might now have grown to perhaps £1,375. No wonder the unit trust marketing men are waiting eagerly until the effect of the crash drops out of their five-year performance figures. But this still does not beat the risk-free deposit performance. Nor does it show up very well against government securities. Over the past five years £1,000 invested in long-dated gilt-edged (again, ignoring costs) would have accumulated to some £1,400. This is in stark contrast to the historical pattern: over the past 75 years or so, pre-tax returns on equities have exceeded those on gilts by 6 per cent a year on average.

There need be no mystery about the strange trends in the investment markets. High interest rates have supported the sterling exchange rate, which has reduced the returns from overseas investment. Domestically, profitability has been suppressed so that dividend growth has not only slowed down but is now going into reverse.

Those depositors are sitting pretty in all this. But all around us we can see the damage that is being done. Depositors are being paid more than most borrowers can possibly afford, especially when the beleaguered banks are trying to jack up their margins. Businessmen by the thousand are being bankrupted. Between 1m and 1.5m home buyers, mostly young, are technically insolvent with "negative equity". A clash of the generations is looming. The "woolies", the well-off older people who

traded down in the housing market in the late 1980s and banked the net proceeds are enjoying a double payoff, with an income bonus to add to their capital windfall. But no nation can expect to lure its young people into financial ruin and get away with it.

Double-digit interest rates have persisted in the UK for more than four years now, ever since Nigel Lawson, in the early summer of 1988, realised that he had problems more serious than a tendency for sterling to rise above DM3. But while high interest rates can provide valuable short-term shock treatment, as a long-term therapy for an over-indebted economy they are ultimately destructive. They must lead to a collapse of asset values and the failure of the financial system.

The precise timing of any change of approach may depend on external factors such as the French referendum on Maastricht and the ups and downs of German interest rates. But a sharp and sudden policy reversal is inevitable in due course. The British Government will come to regret its decision to enter the ERM without applying direct measures to force an almost immediate pay and price adjustment, and without a strategy for controlling the inevitable shakeout in the property market. This week Norman Lamont has again failed to intervene in the domestic economy and has relied on rigging the exchange rate.

As for investors, they can begin to anticipate the return of conditions in which risk is once again rewarded. But the government can continue to buy time if it is unconcerned about the cost; and the past couple of months have shown that bad investment timing can be punished severely.

For the moment, if you have a comfortable nest-egg returning 10 per cent gross you may reckon that the Bundesbank is still your friend. UK inflation, you may calculate, could be no more than 2½ per cent over the next 12 months. Enjoy your good fortune so long as it lasts.

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MARKETS

London

Stiff upper lip from Italy, not Britain

By Peter Martin, Financial Editor

ITALY and Britain, both in currency trouble, reacted quite differently this week. One government went for the flashy, but perhaps ultimately empty, gesture. The other gritted its teeth, showed what it was made of, bit the bullet, and all those other public-school clichés.

The country whose actions this week displayed operatic flourishes, is, of course, Britain: the one that displayed a dogged determination traditionally associated with John Bull is Italy.

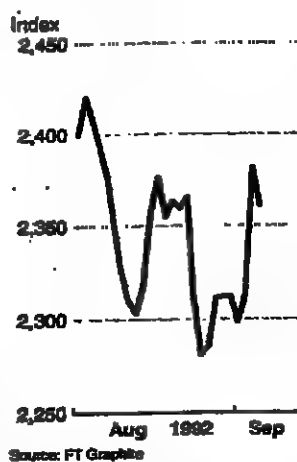
In the short term, there was no doubt which gesture impressed the markets more. Britain's decision to raise Ecu 10bn in loans to defend the pound pushed share prices up and market interest rates down. Italy's decision to defend the lira in a different, more painful way — by raising official interest rates for the third time this summer — led to hectic selling in the Italian market in after-hours share trading, with the market as a whole

down 2 1/2 per cent.

The announcement of the British borrowing came at 3pm on Thursday. That morning, the stock market had been moving upwards, anyway, as traders who had left themselves short of stock scrambled to cover themselves against the British government's chances of avoiding an interest-rate rise. Then came the treasury statement. The pound jumped sharply, showing daylight above the ERM floor for the first time in weeks. Shares rose, too, with the FT-SE 100 index ending Thursday at 2381.9, up 38 points in 90 minutes.

The speed of the markets' reaction owed a lot to the way the treasury and the Bank of England caught them by surprise. In their dog-eared files on defending the pound, civil servants will have come across a pile of memoranda dating back to Stafford Cripps which emphasise the first rule of currency defence: kick speculators where it hurts, in their wallets.

FT-SE 100



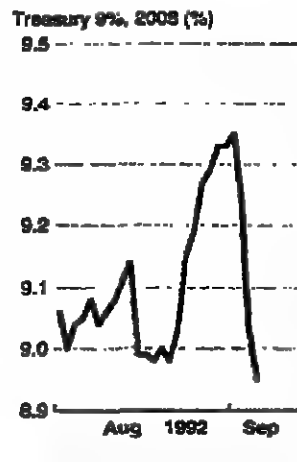
Source: FT Graphs

Sterling



Source: FT Graphs

UK Gilt yield



Source: FT Graphs

That means catching them off-balance and driving sterling up sharply — a big enough move, carried out quickly enough to inflict real pain on anyone whose positions reflected an expectation of a weaker pound.

In that, the authorities were eminently successful. They have probably re-established themselves as a credible threat — and that alone is sufficient to give sterling an element of protection in the two weeks before the French referendum. Italy faced a more difficult challenge. As one European observer of the currency markets put it: "The polls show that there is a 50 per cent probability of a No vote in the French referendum. Since Italy will certainly have to devalue if the French vote No, that means there is a 50 per cent probability of a lira devaluation in three weeks' time."

"If you calculate the interest rates required to compensate for that risk, the numbers get pretty hairy. There has never, that I can remember, been such a high probability of a devaluation at a defined date."

Italy's difficulties, reflected in Friday's interest-rate rise, hang over the London markets, too. Higher Italian interest rates were one of the factors that led to a partial reversal of Thursday's rise in Friday's share trading. Unexpectedly awful US employment figures, raising the strong possibility of a further easing of US interest rates, also helped to weaken the pound and the stock market. Sterling closed the day unchanged at DM 2.80, down two pence from its high and the same distance from the ERM floor. The FT-SE index closed at 2382.2, down 19.7 on the day and up 49.6 on the week.

Lower US interest rates will increase the temptation to move out of dollars and into D-Marks, pushing up the German currency within the ERM and making life still more difficult for the currencies at the bottom of the system. By Friday, the immediate fears of a rise in UK interest rates had eased — three-month money, at 10 1/2, is only a quarter-point or so higher than base rates — but the treasury's Thursday coup had left at least some observers unimpressed.

If sterling again were to come under ERM pressure, say the economists at S.G. Warburg, with most of the plausible shots in the Bank of England's armoury now fired, it would be "increasingly difficult to see any alternative but higher UK rates."

A similar pessimism can be

detected in a striking volte-face at Goldman Sachs: at the beginning of August, its European strategists put the UK top of their list of equity markets to buy in Europe; by September, with share prices 4 per cent cheaper, the UK had dropped to seventh place in a list of nine.

Meanwhile, back in the real world, a flood of companies have been reporting their interim results. Overall, the numbers reflect a further worsening from an already depressed period of earnings last year. But manufacturing companies — doing better than their depressed cousins in the service and financial sectors — are starting to show an improvement in profits, and dividends are also holding up. This week, for example, Reckitt & Colman announced a 5 per cent rise in interim pre-tax profits. Similarly, Burnham Castrol's profits gained 17 per cent, Cookson 100 per cent, T&N 71 per cent, Bowater 19 per cent and Laird 43 per cent.

One trend in the results has been the impact of the weak dollar on companies with big US operations or competition from companies in dollar-linked economies, such as those in the Far East. However, companies which have been dollar borrowers are chalking up double gains: not only are US interest rates now at bargain-basement levels, but every dollar of debt service now costs a fifth less in sterling terms than it did in the summer of 1991.

Hanson, Bowater and Fisons — companies famous for their knack of borrowing in dollars and depositing cash in sterling — must be watching the currency markets' antics with an indulgent smile.

Serious Money

Banks put their faith in apathy

By Philip Coggan, Personal Finance Editor

SCENE: a bank manager's office. A customer enters and sits opposite the manager and his assistant, who is taking notes. The customer begins to speak.

"I'd like a new type of account, please."

"Certainly, sir. What would you like?"

"An account where I give you lots of money and you hit me with a charge every time I try to claim my money back. In return, I want you to pay me a minimal rate of interest."

"Minimal?" the assistant asks, incredulously.

"Yes," says the customer, with a superior smile. "You spell that with two Ms."

"How much interest?" asks the manager.

"Oh, only 1 per cent."

"Right away, sir."

Surprisingly, men in white coats have crept into the office and start to carry the customer away.

"And I want to pay 30 per cent interest if I go into overdraft," he shouts. "You can't turn me down. I'm the Emperor Napoleon..."

That scene will doubtless be repeated in thousands of banks up and down the country as customers embrace the prospect of paying charges on their accounts — even when in credit.

Of course, it might not happen. The banks may have been indulging in the time-honoured political tradition of kite-flying. If a minister plans a potentially controversial change in policy, the tactic is to leak to a newspaper that such a move is being "considered." If the story passes without comment, it is safe to go ahead. But if armed gangs march on Whitehall, the minister can drop the change with only a minimal loss of face.

Plenty of angry words have been directed at the banks over the past few days. Whether any

of it will translate into action is another matter. Britons are notoriously lethargic about changing their bank accounts — something which the banks know only too well.

Indeed, you could argue that most customers are mad not to have moved their accounts away from the Big Four already. The rates of interest available on current accounts have dwindled to pitiful levels and can be beaten easily elsewhere (as David Barchard shows on the opposite page).

The problem is that changing accounts involves a lot of hassle. Every standing order and every direct debit must be altered. Your employer must be told to pay your salary into the new account. And if the whole process does not go smoothly you can get into a dreadful mess, with angry unpaid creditors, or an overdraft, or both.

But if you really want to avoid paying charges, and you do not want to change your account, you might be able to avoid all the aggravation by sending just one letter. Write to your local branch manager and tell him that you will move your account if the bank imposes charges when you are in credit.

Despite all the sound and fury of the past few days, this is not a moral issue — just a financial one. Banks are there to make a profit; and if they cannot earn money from business lending (because of bad debts), share trading (because of low volumes) or mortgage lending (because of the state of the housing market), it is only natural that they will seek to take their profits from their account-holders.

That is the nature of capitalism. It is a strange nation that keeps re-electing Conservative governments time after time, yet fails to understand the profit principle.

So, the customer merely has to work the levers of the capitalist system. If enough people

threaten to withdraw their accounts, the banks will not risk making the change — for the good reason that it will not be profitable.

Some would argue that the moral case against the banks is that they are planning to introduce charges as a group. It is always possible to see plots everywhere, but one suspects that the most important factor in this instance is the fear of being first. As soon as one moves, the others will feel it is safe to follow (just as one moves, the others will feel it is safe to follow). Just as one moves, the others will feel it is safe to follow (just as one moves, the others will feel it is safe to follow).

Take credit cards. Lloyds was the first to levy an annual charge; eventually, the other Big Four clearers followed its example. But it is still possible to own a card that does not charge a fee — most consumers are too apathetic to make the effort of getting one, perhaps because most fees are relatively small.

Indeed, the card issue is an appropriate precedent for the account-charging issue. Initially, most people were slow in paying off their balances and, thus, ended up paying the (fairly hefty) interest rates to the issuers. Eventually, however, smart consumers realised they could get free credit by paying off their balances in full every month.

As a result, the banks' profits fell and they started to argue that the indebted customers were subsidising the early payers. Hence, the introduction of the annual fee.

A cynic might see this as merely the Darwinian system of the capitalist jungle in action — a never-ending battle between the predators (the industry) and the prey (the customer), with each evolving strategies that frustrate the other. Sadly, legerism is no longer an option; the price of free banking is eternal vigilance.

HIGHLIGHTS OF THE WEEK

	Price	Change	1992	1992	
	Ytd	on week	High	Low	
FT-SE 100 Index	2382.2	+48.8	2737.8	2261.0	Starting defence loan
Arjo Wiggle	197	-13 1/2	290	197	Stock overhangs market
British Aerospace	213	+15	379	178	Big order hopes
Burmah Castrol	571	+21	667	460	Excellent interim results
Enterprise Oil	510	-38	458	308	Hoare Govett places 9.8m shares
Glaxo	740	+27	943	632	Good news on Zofran
IMI	245	+13	306	210	Recovery
Ladbroke	180	+9	267	126	Increased dividend
P & O Dairies	351	+31	558	301	Squeeze & strong market
Perseus	158	-15	327	146	Stock fall in profits
Rolls-Royce	123	-12	178	121	Disappointing reports
Sun Alliance	262	+26	335 1/2	214	Better-than-expected int ligs
T & N	138	+17	172	98	71% profits jump
Termac	58	-11	161	55	Kleinwort downgrade
Wimpey (G)	79	-18	189	78	Int loss forecast/dlv threat

AT A GLANCE

UK house price index

Qtr 1 1993 = 100



House prices fall again

House prices fell again in August according to the Nationwide and Halifax price indices this week. Nationwide recorded a 0.2 per cent fall in prices compared to the previous month, while Halifax found a 0.7 per cent fall. UK house prices have fallen by over 5 per cent over the 12 months to August, according to both indices.

Tim Melville-Ross, Nationwide's chief executive, said concern about the economy was continuing to depress the market. The reintroduction last month of stamp duty would "act as a further brake on the market in the short term," he said. Halifax also had a gloomy prognosis, forecasting no upturn in the market this year and only muted recovery next, unless the economy recovers.

Building materials gloom

It is not difficult to see why the Building Materials sector has had a tough year. With the property market in its current straitened circumstances, analysts and market-makers have been very nervous about investing. There are also concerns about over-capacity and falling prices, although analysts believe that volumes have held up surprisingly well. Over the year to Thursday of this week, the FT-Acquies Building Materials Index had fallen by 23.26 per cent; the Property sector by comparison, had dropped by 36.64 per cent.

Power shares payment due

Final payment for regional electricity company shares, at 70p per share, is due next week. Payment is not due until 3.00pm on Tuesday, September 15, but to allow time for cheques to clear they must arrive no later than Thursday, September 10. Each of the three banks acting as registrars for the shares has a helpline telephone service. They are as follows: Barclays, for Manweb and South Wales Electricity (071-329-6732); National Westminster, for Eastern, Midlands, South Western and Yorkshire Electricity (0272-465222); and Lloyds, for all the other distribution companies, and for package units (021-433-4466).

Cazenove's US offering

Cazenove Unit Trust Managers is offering a protected investment in the US stock market. Investors who place a minimum of £2,500 in Cazenove's American Portfolio fund will be protected against a fall of more than 10 per cent in the Standard & Poor's 500 Index in the period to August 1, 1993. If the index falls by more than 10 per cent, Cazenove will refund the difference. The management charges on the trust are 6 per cent initial and 1 per cent annual.

Revenue leaflet for school leavers

The Inland Revenue has published a leaflet for school-leavers on how the tax system works and how they will be taxed on their income. Income tax and school leavers is available from local tax offices or Public Enquiry Room, West Wing, Somerset House, London WC2R 1LB.

Small company shares fall

Small company shares fell yet again this week — but at least the decline slowed. The County Small Companies Index fell 0.2 per cent to 797.46 over the seven days to August 3; the Hoare Govett Index (capital gains version) dropped only 0.02 per cent to 1004.6 over the same period.

JUST WHEN they thought it could not get any worse, it did. Yesterday's employment report for August stunned everyone.

The affected included President Bush, for whom the figures were very bad news indeed; the Federal Reserve, which had hoped it could get through the year without another interest rate cut; and Wall Street, which had been anticipating some rare good tidings on jobs all week.

The August employment numbers were described by one analyst as "ugly." Non-farm payrolls, which had been expected to rise by between 100,000 and 200,000, actually fell 83,000.

Even that decline did not tell the whole story. The figures would have been worse had it not been for a federally-funded summer jobs programme which boosted payrolls temporarily by 100,000.

A closer look provided even more gloom.

Employment in manufacturing industry fell by 97,000 and the number of jobs in the goods-producing sector by 108,000, an

indication that industrial production went into sharp decline in August.

There was no comfort to be gained from the modest fall in the civilian unemployment rate, which dipped from 7.7 per cent to 7.6 per cent last month.

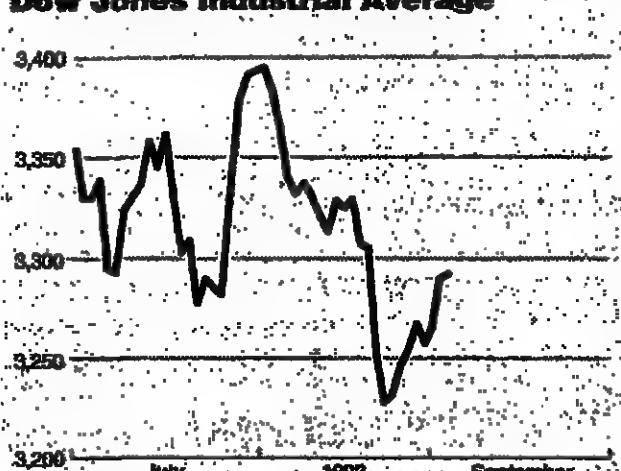
Analysts said the decline was due to more people being discouraged about their employment chances and, therefore, not looking actively for work. Anyone who stops looking for work comes off the unemployment register immediately.

So, how did the markets react? The bad news delighted fixed-income investors, as it always does.

The benchmark 30-year government bond jumped more than a point yesterday morning, pushing the yield down to 7.26 per cent. There was an equally sharp fall in short-term yields.

Shares showed little initial reaction, due partly to many stock market traders having taken the day off to extend the long Labor Day weekend. However, by the time the Dow Jones Industrial Average opened only a few points lower during the

Dow Jones Industrial Average



Source: Dataquest

morning session, a muted response which probably disguised a tug-of-war between two opposing forces: renewed pessimism about the outlook for the economy, but fresh optimism about the chances for another cut in interest rates.

Any optimism about interest rate cuts was tempered, however, by the reaction of the foreign exchange markets.

The dollar dropped more than two pence to below DM1.40 as currency dealers anticipated that the Fed would respond to the jobs situation by easing policy, widening further the already large gap between US and German interest rates.

But Wall Street was not convinced entirely that interest rates would fall. After the jobs data was released at

8.30am, many analysts predicted the Fed would ease — by lowering the discount rate and the federal funds rate (what banks charge each other for overnight loans) — by a fall 50 basis points before the stock market began trading at 9.30.

When that deadline passed without action, speculation intensified that the monetary authorities were holding their fire for fear of sending the dollar into free-fall. The consensus on Wall Street, however, remained that the Fed would cut rates again, despite the vulnerable dollar, because of political pressures.

Almost as soon as the jobs data had been released, the Bush administration stressed yet again that the economy, not the dollar, should be the primary focus of monetary policy.

The White House position is that a weak dollar is not necessarily a bad thing because it boosts export sales by lowering the cost of US goods to overseas buyers.

In the end, the Fed did ease policy late yesterday morning by adding reserves to the banking system to lower the

federal funds rate from its present target of 3 1/4 per cent to 3 per cent. Lowering the funds rate by a quarter of a point was regarded as the least the Fed could do without triggering a collapse in the dollar.

Although the Fed's actions helped to stem the dollar's slide, they failed to lift stock market sentiment, which had been looking for a fully-fledged discount rate cut of at least 50 basis points.

If the Fed continues to resist a more substantial policy case, equity investors face a potentially difficult autumn.

Sustained improvements in corporate profitability should provide some momentum for stock prices, but a continued lack of economic growth and a likely increase in political uncertainty as election day nears could make it an uncomfortable ride.

Patrick Harverson

Monday 3267.25 - 10.24
Tuesday 3267.25 - 10.24
Wednesday 3267.25 - 10.24
Thursday 3267.25 - 10.24
Friday 3267.25 - 10.24

The Bottom Line

Old dog with a zest for life

Reckitt & Colman

Share price relative to the FT-Acquies Index



Source: FT Graphs

The secret to making those, says finance director Iain Dobie, is never to think you have finished.

The group has, for example, been re-organising its European manufacturing activities. Rather than make the range of products in factories through-

adding Dettol disinfectant cleaner to the Dettol antiseptic range) or launching established brands in new countries (like the launch of Lemsip, the cold treatment, in Australia) is a change from the one the company pursued in the 1980s.

Sankey explains that, in the past decade, the group's plan was to make acquisitions which gave it critical mass in its chosen product and geographical areas. These deals included the \$165m purchase of business in 1984; the acquisition of Durkee Famous Foods for £20m in 1986; and, most importantly, the \$1.25bn purchase of Boyle-Midway of the US in 1990.

A number of disposals have been made recently, bringing in more than £10m in cash; and at the time of the Boyle-Midway deal, the group raised £200m through an issue of con-

vertible capital bonds (which are regarded as equity since there is no facility for redemption in cash only through conversion to shares).

Even so, the level of debt — which was £338m net at the end of 1991; 47 per cent of shareholders' funds — is still high. Gearing would look much worse but for the inclusion on the balance sheet of £587m worth of acquired brands.

But if the big acquisitions are a thing of the past, the group may now be able to cut borrowings through good cash generation. The high marketing costs are not capitalised, and the group does not revalue the brands in its balance sheet upwards.

Reckitt is unfortunate in being placed in the health and household sector, where most of the companies are big drug groups such as Glaxo and Wellcome. Were it included in the food manufacturing sector — like them, it sells most of its products to the food retailers — its performance would look better.

Maggie Urry

FINANCE AND THE FAMILY

FOR MANY people, it could be the last straw. Fed up with unexpected charges on their statements or high overdraft fees, news that the Big Four banks - Midland, National Westminster, Lloyds and Barclays - and the TSB are thinking of ending most free banking even for those in credit, could force depositors to think about an alternative home for their money.

The number of people with bank accounts has increased substantially in the past decade - 95 per cent of UK adults have a current account compared with 80 per cent 10 years ago. The British Banking Association says there were 53.5m current accounts at the end of December, 31.3m of them interest-bearing.

This proliferation of accounts coincided with the introduction of free banking, first by the building societies and then the banks.

This week, Midland chief executive Brian Pearce made clear what the banks were thinking. Referring to the 3m of the Midland's 4.5m current account-holders who do not pay charges, he declared: "Over time, hopefully, we'll persuade our customers you don't get anything for nothing."

This was particularly ironic since the Midland was the first of the Big Four to act in 1984 and abolish charges on customers every time they drew a cheque or made a cash withdrawal (although the Co-Operative bank had pioneered that route 10 years earlier).

Because of the recession, banks already have been taking measures to cut costs, mainly through reducing branches and cutting staff. (The NatWest, for example, has made nearly 500 employees redundant in London alone over the past two months).

They have also been quick to reduce the rate of interest paid on current accounts while increasing some existing charges. Later this month, for example, the NatWest will increase its quarterly charge on overdrafts from £18 to £19.

As the banks try to improve profitability, the idea of introducing a minimum balance on current accounts, or charging customers who have small balances but make heavy use of their accounts, is gaining ground. Many people, however, will not be convinced by the banks' argument that they can-



Banks turn the screw

Will current accounts cost more? Scheherazade Daneshkhu reports

not afford to run charge-free accounts any more.

After all, banks can invest their customers' money elsewhere. And they pay only between 0.75 per cent net (Lloyds) and 1.86 per cent net (Midland) in interest on a current account.

But they can charge as much as 37.4 per cent a year (Midland) for an unauthorised overdraft, while NatWest bills customers £20 for a letter telling them they have gone into the red. Of the Big Four, only Barclays does not charge for an overdraft letter.

The banks do incur heavy costs in maintaining their branch networks and in processing the billions of transactions their customers make each year.

At the moment, they say, the minority of overdrawn customers, or those with loans, are paying these costs and, effectively, subsidising the majority.

"We are conscious that there is an imbalance between the 80 per cent who pay no current account charges and those that are overdrawn," said an official for Barclays bank, which has 6.5m current account-holders.

"Most current accounts are run at a great loss."

Charges for those in credit have begun already - but on savings, not current, accounts. In February the Halifax, Britain's biggest building society, introduced charges for those with less than £50 in their savings accounts, and for those with less than £250 who make more than two cash withdrawals over the counter a month.

The rationale was the same as the banks are employing today. The Halifax justified the move by saying: "It is only fair

that where additional costs arise from customers who make high usage of certain services, that these customers should make a contribution towards those costs rather than spreading the expenses over all accounts."

"In general, savings accounts with very low balances and, in particular, those with frequent transactions, run at a loss to the society."

But these are not the only Halifax charges. For the past two years, its 3.6m Cardcash account customers have been paying 60p each time they use

a cash machine which does not belong to the society. And, earlier this year, it began charging some Cardcash customers who keep less than £250 in their accounts.

The banks rule out an indiscriminate policy of charges for those in credit. Customers most at risk are those with a low balance in a very active account. "We would take into consideration the way the account was used, the real costs associated with it, and whether the customer was a heavy or light user of the account," said a Barclays spokesman.

Charges could also be formulated in a way to discourage using cheques, which cost more to process compared with direct debits or cash machine withdrawals. "The physical shifting of paper is expensive," said a spokesman for Midland (which, before free banking, used to charge 28p for non-automated items and 15p for automated ones).

With this in mind, the Co-Op launched a Pathfinder account last year. This is a card-based account offering standing orders and direct debits - but no cheque book.

Alternatives to the Big Four			
Institution	Mid interest percent on £1	on £1,001	Arranged overdraft (% APR)
Current account			
Barclays: React 365	1.36	4.03	18.3
Co-Op Bank: Ultra	0.75	1.50	31.4*
FirstDirect	2.63	2.81	20.7
Girobank: Keyway	1.50	3.19	19.5 EAR*
Northern Rock: Current	2.25	3.20	19.9
Robt Fleming/S&P Classic	1.68	4.08	20.5
Woolwich: Current account	3.38	3.38	21.0
Yorkshire BkPaymaster PI	1.13	2.63	24.8

*Free £150 overdraft. **Free £250 overdraft for 3 days. †£400 minimum must be credited each month. ‡£240 = equivalent current rate add on £1 a month. ‡£250 to open the account. ‡£1,000 to open the account.

So you want to move your money

But where? David Barchard examines the options

NOW THAT the Big Four high street banks have let it be known they are thinking seriously about ending free current-account banking for those in credit, what options do aggrieved customers have if they want to move their business?

When the charges are introduced - something that might well not happen for months, or even years - migrating to another bank might not be as easy as you think. When big banks in the US have introduced new charges, they have usually done so in a way which encourages good customers to stay and bad ones to move on. Knowing this, other banks have not always welcomed a flood of applicants.

If you are planning a move, this is probably a good time. But bear in mind that, as with credit card charges, there is little point in moving between the Big Four. The choice is between the high street giants and the smaller players.

The big banks have some undeniable advantages: they are very safe, with lots of branches and a wide range of services. Yet, a small bank often provides better service simply because it is smaller and staff know their customers better.

There could be a downside, though. You might live a long way from its nearest branch and have to deal with it by post or telephone. That could be inconvenient when you want to pay money into your account or use the inter-bank giro system to make a payment from a branch. These days, the larger banks normally charge non-customers for using their services.

As far as withdrawing cash goes, size should not matter. If your new bank or building society has cash machines of its own, it will belong to one of the main UK cash machine networks such as Link (building societies, Co-Op bank and Girobank) or Mint (Midland, National Westminster and

TSB). You will also be able to withdraw money through almost any cash machine via the Visa network, although this incurs a 1.5 per cent handling fee.

Beyond that, you need to ask yourself if your banking needs make you a "fat cat" or a "church mouse."

■ Do you need to go into overdraft sometimes? If the answer is yes, think very carefully about where you place your account. Overdraft charges are almost the only way that banks and building societies make money from most of their cheque accounts so, effectively, you will be subsidising bank customers who stay in credit.

'The choice is between the high street giants and smaller players'

You should be especially careful that you do not go into an unauthorised overdraft, even for a very short time. That means talking to your branch in advance and (although it is much less easy these days) negotiating a favourable rate from your manager. You should look for around 18 per cent.

There are considerable differences: the Co-Op bank's Ultra account is among the star performers, with good interest rates for customers who stay in credit, but its 31 per cent for agreed overdrafts is punitive. It does, however, have the virtue of allowing you to overdraw by up to £250 for three days.

■ Do you plan to keep some money in your account and earn interest on it? You are the sort of customer the banks are looking for these days. But you will find that most interest-bearing cheque accounts do not earn you very much. Some of the clearer's accounts pay as little as 1.5 per cent gross on low balances.

Even if you plan to keep £500 or £1,000 in your account, the picture is not all that encouraging. Coutts and other up-market private banks have long expected customers to maintain large deposits. Some of the banks and building societies are now doing the same.

To open a current account at Abbey National, customers must deposit £300 unless their salary cheque is being deposited regularly. For Halifax's Maxim current account, the figure is £200. Nationwide's terms are even stiffer. Flexacount, the UK's first mass-market, interest-bearing current account now requires an opening balance of £500 or the same amount to be paid in each month.

So, migrating from a bank to a building society to avoid charges and earn interest will not suit everyone. But the Woolwich building society's current account does look like one of the best buys on the market. No minimum balance is needed and it pays interest of 3.38 per cent, starting on balances of £1. Its overdraft rates also compare fairly well.

For those with much larger amounts of cash, there are higher-interest accounts available, although many of these limit the number of cheques you can write. The table on this page shows the rates available on a number of accounts with £1,000 or more.

If you are willing to keep £50,000 in the account, you should be able to earn between 8.5 and 10 per cent, with the Portman and Chelsea building societies offering the best rates (although they pay yearly). The Northern Rock account, which pays monthly at an annual rate of 9.34 per cent on balances of £25,000 and more, is one of the best buys in this category.

Northern Rock, by the way, emerged as the third-strongest society in the UBS Phillips & Drew annual review of the industry, a point which investors might want to bear in mind.

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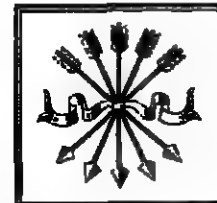
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FINANCE AND THE FAMILY

WARNING! Trying to compare private medical insurance policies can be bad for your health. Ten years ago, private medical insurance (PMI) was a standardised product. The market was dominated by BUPA (the British United Provident Association), the policies of which were copied by others in the industry.

Since then, changes have made health insurance one of the most bewilderingly fragmented and complex fields. A quickening rate of inflation in health care costs has a lot to do with this. Bupa estimates annual health care inflation at around 14 per cent - triple the rate of retail price inflation.

Then came the changed aspirations in Mrs Thatcher's wake. Many more people now seek private medical insurance, not necessarily for rational reasons, and most new customers are in a lower income bracket than the industry's traditional customers.

These factors between them led to the introduction of "budget" plans, which offered lower cover, in return for affordable premiums. Companies had different ways of cutting the amount of cover they had to offer, so the costs are not usually directly comparable.

New companies entered the field, such as Norwich Union and Allied Dunbar, most of which had new ways of approaching the problem.

For example, Norwich Union's market research suggested that customers were more concerned to ensure that any treatment they did need should be paid for, but were prepared to spend money on initial consultations. If you go to a consultant and find you are fit, therefore, NU's cheap policy will not pay you anything, and you will have to foot the bill.

If the consultant finds something is wrong with you, life will be both more distressing and more expensive, but NU will foot the bill.

Other innovations include travel insurance as part of the package (from Allied Dunbar), loyalty bonuses, no-claims bonuses, and the option to take an excess - insurers will only pay medical bills in excess of a certain amount.

All this leads to startling variations in premiums, both between and within companies. As policies will not, quite reasonably, cover you for a condition which already exists, tailoring a policy to individual needs is very difficult.

Perhaps it is best, therefore, to examine exactly why you might want to use medical care from outside the National Health Service.

Some insurers would claim that private care is not a luxury, but a necessary product to rank alongside life assurance and pensions. But most, including Bupa, accept that it is primarily an aspiration.

Health fees inflation however, has made this aspiration rather harder to fund - changing contracts make this difficult.



A bitter pill for consumers to swallow

John Authers considers private medical insurance costs

cult to measure, but most in the industry accept that premiums have risen by around 30 per cent over the last year.

What, therefore, do you gain by opting out of the NHS? The prime gain, if this is to be thought of as anything like a necessity, is time, particularly for those active in business.

A recent *Which?* survey confirmed that private health care is indeed much quicker than the NHS. But the margin is narrower than the gap in cost between public and private treatment can justify.

As many as 32 per cent of private patients have to wait more than a month before going into hospital, according to *Which?*, but only 2 per cent wait longer than three, and none wait as long as six months.

Most NHS patients (three quarters) reach hospital within three months of being referred, but one in five wait for three months or longer. This can then drag into the kind of emotive nightmare which occasionally appears in the newspapers - 3 per cent wait more than a year, and 3 per cent more than two. But the chances of getting treatment quickly on the NHS do tend to tip the balance against taking traditional private insurance for reasons of time.

This has led to the growth of the "six-week" plan. Private medicine can more or less guarantee to treat you within this period, so the policies will pay out for treatment if you

need to wait more than six weeks on the NHS. These policies are so much cheaper that they demonstrate how good your chances are of getting quick public treatment.

For example, according to the latest survey by *Money Marketing*, a quotation which would cost £62.85 from Bupa for top-quality wards, or £30.33 for the lowest band of wards could cost as little as £11.90 per month if only six-week waiting lists are covered.

In many ways this is a traditional "risk" insurance - you pay quite small amounts of money to protect against the risk of something which is unlikely but potentially disastrous if it happens.

What of the other benefits of private medicine? *Which?*'s respondents found that food and interior decor were better in private hospitals, but a comfortable majority of NHS patients were satisfied with privacy and visiting arrangements. Also, *Which?* found that if you have complications, you are sometimes better off in the NHS, as private hospitals often do not have a full range of emergency back-up facilities.

Private insurance might, then, be best regarded not as an aspiration - it is too expensive for that - but as an insurance against the risk of a very long NHS waiting list. Unless you have insurance via the company you work for, that probably means looking at budget and six-week schemes.

HIGHEST RATES FOR YOUR MONEY

Account	Telephone	Medical/term	Minimum deposit	Rate %	Int. paid
INVESTMENT A/Cs and BONDS (Gross)					
Scarborough BS	0800 590578	Instant	£250	10.00%	Y/y
Norwich & Peterborough BS	0753 371371	Instant	£1,000	10.25%	Y/y
Brianston BS	0800 654486	Instant	£2,000	10.40%	Y/y
North of England BS	031 220 0891	Instant	£25,000	10.75%	Y/y
Allied Trust Bank	071 626 0879	3 Month	£2,001	10.91%	Y/y
Skilpan BS	0756 700500	7.8.94	£5,000	11.00%	Y/y
Chelms BS	0800 272505	31.1.95	£10,000	11.75%	Y/y

TESSAs (Tax Free)					
Allied Trust Bank	071 626 0879	5 Year	£3,000	12.88%	Y/y
Julian Hodge Bank	0222 220800	5 Year	£20	12.50%	Y/y
West Bromwich BS	021 525 1070	5 Year	£150	11.80%	Y/y
National Counties BS	0372 742211	5 Year	£3,000	11.50%	Y/y

HIGH INTEREST CHEQUE A/Cs (Gross)					
Caledonian Bank	HICA	051 556 5205	Instant	£1	9.50%
UDTS	Capital Plus	0734 590411	Instant	£1,000	9.40%
Chelms BS	Classic Postal	0242 521891	Instant	£10,000	9.80%

OFFSHORE ACCOUNTS (Gross)					
Woolwich Guernsey Ltd	Int'l Gross	0481 715735	Instant	£500	9.50%
Yorkshire Guernsey Ltd	Key Money	0481 715898	90 Day	£50,000	10.55%
Yorkshire Guernsey Ltd	Key Term Share	0481 715898	31.1.95	£50,000	11.75%
Bristol & West Int'l Ltd	Int'l Ptd Rate Bond	0600 833222	1.10.93	£50,000	11.00%

GUARANTEED INCOME BONDS (Net)					
Alico FN	081 680 7153	1 Year	£20,000	8.75%	Y/y
Financial Assurance FN	081 367 6000	2 Year	£25,000	8.50%	Y/y
Prosperity Life FN	0800 521546	3 Year	£15,000	8.65%	Y/y
Financial Assurance FN	081 367 6000	4 Year	£25,000	8.55%	Y/y
Laurentian Life FN		5 Year	£50,000	8.65%	Y/y

NAT SAVINGS A/Cs & BONDS (Gross)					
Investment A/C	1 Month	£5	8.25%	Y/y	
Income Bonds	3 Month	£2,000	9.00%	M/y	
Capital Bonds E	5 Year	£100	10.00%	OM	
First Option Bond	12 Mths	£1,000	9.87%	F	Y/y

NAT SAVINGS CERTIFICATES (Tax Free)					
35th Issue	5 Year	£25	7.50%	F	OM
35th Issue Linked	5 Year	£25	4.50%	F	OM
Childrens Bond C	5 Year	£25	10.10%	F	OM

This table covers major banks and Building Societies only. All rates (except Guaranteed Income Bonds) are shown Gross. Fixed = Fixed Rate (All other rates are variable) OM = Interest paid on maturity. N = Net Rate. B = Bond. F = Rate fixed until 31.12.94. * = Rate fixed until 1.2.95. Source: MONEYFACTS, The Monthly Guide to Investment and Mortgage Rates, Walsingham House, Statham, Norwich. Readers can obtain a complimentary copy by phoning 0800 252000.

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Safety is the best policy

Richard Lapper looks at the solvency of the big insurers

HOW SAFE is your insurance policy? A small insurance trade association this week alleged that a number of insurers were potentially insolvent, fueling controversy about the financial strength of the industry and the security of insurance policies.

The financial strength of UK insurers has certainly been seriously weakened by two years of record losses, and falls in the value of the properties and shares in which they invested heavily in the 1980s.

By the end of last year the net assets of the five biggest composite companies had been cut from £10.8bn at the end of 1989, to around £6bn, its lowest level since 1984.

Much of the recent concern has centred on the solvency margin - one of the main tools used by regulators and analysts to measure the financial strength of the insurance companies.

The margin (or ratio) measures a company's ability to pay claims by comparing its net assets (its capital

and free reserves) with the amount of premium income received in a given year.

In very simple terms, the stronger a company's capital base the less risk there is of it being unable to pay insurance claims, the more risks it can take on to its books and the more policies it can sell.

Companies must maintain a statutory minimum solvency ratio of between 16 and 18 per cent, although brokers, who are effectively professional insurance buyers, generally insist that the ratio should be no less than 30 per cent, nearly double the legal minimum.

Solvency ratios have certainly fallen. The UK's biggest company, Sun Alliance, fell from over 124 per cent in 1989 to 36 per cent at the end of June this year. The other large composite companies - so-called because they underwrite a combination of general and life insurance - all have lower margins, although they remain comfortably above the legal minimum.

However, a low solvency ratio need not necessarily give grounds for concern. The level and adequacy of claims reserves which companies are legally obliged to maintain - is not reflected in the solvency ratio. In the UK, the DTI has sophisticated systems to monitor the adequacy of these reserves as well as the riskiness of the assets - investments in shares, gilts or property - into which these monies are invested. So a good deal of qualitative as well as quantitative analysis goes on in assessing company security.

According to Charles Longhurst of the Association of British Insurers "it is no secret that the solvency margin has fallen but the companies are still trading and able to meet claims. They have been living off the fat for the last couple of years but they haven't reached the bone yet."

Roy Randall, of Royal Insurance, says "a battery of factors are involved" in assessing solvency. "The solvency margin is not the be all and end all."

Nor is a high solvency margin necessarily a guide to financial health. Trinity Insurance, which became insolvent earlier this year, had relatively high solvency margins, indicating that the ratio does not always help the watchdogs spot weaknesses.

Even so in today's very difficult economic environment the possibility that your insurance company will go under cannot be entirely precluded. Even if it does, however, policyholders enjoy some automatic protection.

The Policyholders Protection Board - funded by the insurance industry as a whole - would assume most of a company's obligations.

The PPH will pay 100 per cent of claims incurred on insurance policies which it is compulsory to buy, such as third party motor insurance and 50 per cent of all other claims.

Jane Vass, of the Consumers' Association, says "Nobody wants to go through the awkwardness of claiming from such a body but it is a safety net."

Tom Cobleigh and all for BES

MANY sponsors have taken the plunge into the Business Expansion Scheme this week - indeed the list consists of Udale Tom Cobleigh and all, writes John Authers.

Tom Cobleigh Pubs is a BES company sponsored by Wise Speke, which will buy two pubs, probably in Yorkshire and the North Midlands. They will be managed by Tom Cobleigh Ltd, which was set up last year and runs ten pubs of its own in the north and Midlands, and 51 pubs tenanted by national brewers in Humberston.

Tom Cobleigh Ltd intends to make an offer for the BES shares once the 5-year tax exemption period has expired.

The bibulous BES theme continues with Merit Associates (Europe) which has exclusive European rights to distribute Bushman's Australian Vodka, Crown Reserve Scotch Whisky, Noble Estate Australian Wines and a range of Italian and Greek liquors. The company believes that Bushman's will have unique selling appeal, as it is a cane spirit vodka from Australia.

Both of these companies should be firmly labelled "speculative". However, other BES companies with covenanted

repayment of fixed sums after five years are also on offer.

Neill Clerk is sponsoring Oxford Hills Residences, which will buy accommodation for Oxford Polytechnic, recently created a university. For every £1 paid now, it will repay £1.26 on October 31, 1997. House the Homeless of London (Greenwich) is the latest BES scheme set up by the Peabody Trust. It is aiming to provide 70 permanent homes for families in Greenwich. Peabody, which has properties with a vacant possession value of £825m, will pay £1.26 after five years for every £1 subscribed now.

The most unusual new development for contracted exit schemes comes from Johnson Fry, which has launched the Mortgage Express Flexible Growth Scheme in conjunction with TSB's Mortgage Express.

The new wrinkle comes from a loan facility after one year - borrowers can take a loan equivalent to 76 per cent of the gross amount they originally invested. This is repaid automatically from the proceeds of the BES when TSB takes control of the property after five years. The loan does not rely on your proving your income, and it is non-recourse - in

other words, according to Johnson Fry, there is no obligation to repay it from anything other than BES shares.

Johnson Fry is also launching Sovereign Reversions, which will buy properties from the elderly for a knock-down price in order to provide them with an income. The company will only take over the properties once the occupants have died, and then aim to make a profit.

Finally, Pathfinder Repossessions II is a more speculative investment. It will buy repossessed property in London.

Week Ahead

GLAXO Holdings, the pharmaceuticals group, is predicted to produce on Thursday pre-tax profits for the year to June 30 of £1.4bn-£1.46bn (£1.26bn a year earlier) and a dividend of 15p-20p a share (14p).

Sales of Zantac, the ulcer drug which make up almost half its turnover, have been eroded by Astra's newly competing Losec and other drugs in continental Europe. But Zantac sales in the US and UK Zantac have held up.

Fisons, the pharmaceuticals and scientific equipment company, is expected to announce on Tuesday interim pre-tax profits of £35m-£43m (£35.2m). Forecasts of the dividend range from a rise to 3.5p to a cut. The wide range of estimates follow a company warning in June that first-half profits would be down.

Prudential Corporation, the insurance and financial services group, is expected to post increased interim pre-tax profits on Wednesday to £225m-£240m (£170m). Life insurance profits are expected to increase only marginally. But Prudential's general insurance business should produce sharply reduced losses.

Peninsular and Oriental Steam Navigation Company, the shipping and property group, is expected to report on Wednesday interim pre-tax profits of £90-£95m, little changed from last time. P&O, the industrial conglomerate, reporting on Thursday, is forecast to unveil a slight increase in interim pre-tax profits to about £440m from £428m. News of economic recovery or the further rationalisation of Hawker Siddeley, will be eagerly anticipated.

Cadbury Schweppes is expected to justify on Thursday its premium rating in the food sector by reporting interim pre-tax profits of £115m-£120m (£111.5m). A modest dividend increase is also expected.

United Biscuits is expected to present a less happy picture when it announces its interim on Friday. Cost-cutting and improved efficiency have helped the company limit the impact of the UK recession but fierce competition continues for Keebler, its US biscuit and snacks subsidiary. Pre-tax profits of £70m-£75m (£66.1m) are forecast.

On Wednesday Hilldown Holdings is expected to show only a small rise at the pre-tax level from last year's £71.6m, but the interim dividend should be safe. Operating profits will be down but the saving on interest after last year's rights issue will offset that.

Thursday sees results from Booker, which has changed its reporting period. On the new basis profits should be up a touch on last time's £32.9m - perhaps to £33.5m. But on the old basis June profits are expected to be down a bit.

Shell Transport and Trading is expected on Thursday to announce an increase in its interim dividend to between 9.1p and 9.4p from 8.9p last year.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)	Earnings (p)	Dividend (p)
Armour Tilt	Apr	1,480	(1,510)	3.9
Flogas	Jun	7,197	(8,740)	33.91
Freemantle Publishing	May	2,370	(2,370)	14.5
Industrial Control	May	4,800	(3,000)	9.1
Isotron	Jun	2,740	(2,610)	14.8
Primadon	Jun	204	(358)	5.1
Richmond Oil & Gas	Mar	43,900	(785)	1
SelectTV	Mar	3	(220)	0.38
Sinclair Goldsmith	May	325	(97)	1
Staneco	Feb	90	(-)	0.02
Stewart Zigomata	Mar	44	(65)	9.23

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)	Interim dividend (p)
ADT	Jun	66,700	(80,100)
American Tilt	Jul	2,840	(3,050)
Amicable Smelter	Jun	367	(-)
Arco Int'l	Jul	1,010	(1,210)
Aurochs	Jun	2,200	(2,700)
Austic (B&H)	Jun	2,020	(2,230)
Baldwin	Apr	567	(838)
Barr & Wallace	Jun	7,250	(1,040)
Boult	Jun	62,400	(52,000)
Bowater	Jun	214	(283)
Braxine (T&F&H)	Jun	64,700	(72,200)
Burmester Control	Jun	874	(181)
Colson-Hobbs	Jun	34,000	(17,000)
Cookson Group	Jun	17,000	(16,800)
Courtside Textiles	Jun	22,600	(21,100)
CRH	Jun	437	(271)
Cummins Property	Jun	2,400	(851)
Devinport Group	Jun	2,200	(858)
Edmond Hides	Jun	21	(-)
EPH Income Tst	Jun	438	(594)
Engle & O'Shea	Jun	238	(845)
File Induser	Jun	177	(483)
Garrett & American	Jun	377	(583)
Garmon Value	Jun	1,850	(1,820)
Grafton Group	Jun	434	(490)
Hawthorn Leslie	Jun	24,200	(20,200)
Indefatigable	Jun	123	(3,000)
Invergordon Dist	Jun	14,800	(13,100)
JOHN Stearns Packet	Jun	380	(821)
Jourdain Press	Jun	4,850	(3,850)
Jourdain (Thomas)	Jun	874	(181)
Ladbrokes Group	Jun	103,200	(98,200)
Lincoln House	Jun	24	(247)
London Wall	Jun	445	(1,450)
Macfarlane Group	Jun	4,550	(4,038)
Marlin Int'l Group	Jun	269	(322)
Nestor-ORA	Jun	2,110	(2,330)
Northern Engineering	Jun	3,100	(2,400)
Novus (Michael)	Jun	1,280	(2,000)
Novus	Jun	2,400	(2,800)
Perfection	Jun	12,500	(12,500)
Provident Financial	Jun	12,800	(10,800)
Palin	Jun	1,050	(270)
Readymix	Jun	1,500	(1,780)
Rodex & Colman	Jun	134,200	(127,600)
Rolla Hays	Jun	20,000	(11,000)
Scottish Heritage	Jun	2,860	(3,150)
Senior Engineering	Jun	10,000	(8,770)
Serco Group	Jun	3,380	(2,450)
Shaper & Frickelmeier	Jun	3,250	(8,110)
Sterling Tst	Jun	1,220	(1,500)
Shing & Fisher	Jun	2,170	(5,230)
Sun Alliance	Jun	97,900	(114,100)
Templeton Galbraith	Jun	45,180	(35,330)
TAN	Jun	34,700	(20,300)
Torley & Carlisle	Jun	353	(834)
Trave World Comm	Jun	398	(1,090)
Union Group	Jun	8,500	(8,700)
Vireon Group	Jun	4,350	(4,870)
Waterford Wedgwood	Jun	5,770	(2,040)
Williams Holdings	Jun	72,000	(78,500)
Wilson Borden	Jun	10,300	(15,400)

(Figures in parentheses are for the corresponding period.)
Dividends are shown net of tax per share, except where otherwise indicated. L = loss. * = Figures quoted in Irish pounds & pence. † = Net revenue. \$ = Figures for

HOW TO SPEND IT

It's fast, it's furious — it's New York



A moment of peace in a hectic schedule: workers take a break on the steps of the New York stock exchange

I HAVE lived in New York for nearly two years, a blink of the eye in the big scheme of things; but in a city that moves as fast as this one, a lot can be learned in a short space of time.

The only important thing to know about visiting New York is, whatever you do, do not pause too long for breath; otherwise, you will miss feasting on the city's extraordinary energy. Tackle everything — shopping, eating, drinking or sightseeing — at speed. You can rest when you get home.

SHOPPING

The best thing about shopping for clothes in New York is that if you want to spend a bundle on designer labels, you can. But if you want to spend less, and still look good, there is affordable quality in abundance. Classic American clothes are especially good value — Levi 501s, for example, cost just \$36 at any branch of Wings around the city.

For men, Banana Republic also offers the classic American look but with an outdoor, preppy twist. Handsome black leather jackets, designed with a minimum of fuss but a maximum of comfort, can be had for only \$325 and dark green suede jackets, which would look wonderful with either a

white T-shirt or a smart Brooks Brothers button-down, are available for \$345.

There are several Banana Republics around the city, including one at Lexington Avenue and 58th Street.

There is no shortage of choice at the top end of the market. If you like everything in one place, the men's department at Bergdorf Goodman, on Fifth Avenue at 58th Street, is worth a trip — ignore the tweedy, English gentleman's club interior and enjoy the wide range of top American

bargains on the ground floor. It is especially good for men's Italian suits and jackets. For those with more particular tastes, try Matsuda on lower Fifth Avenue which sells pricey, but comfortable and chic, Japanese clothes.

For women, a wide range of options is available. Obvious recommendations include Bergdorf Goodman, Henri Bendel and Charivari, all situated conveniently within a few blocks of each other around Fifth Avenue and 57th Street; but, among the individual

If you fancy a sit-down meal, but want to keep it informal, go to the Oyster Bar underneath Grand Central Station — a cavernous seafood restaurant packed with local office workers. The food is simple but very good, and the setting magnificent.

If you want to come home from New York with a really special buy, head down to the Lower East Side. Orchard Street is famed for its new and second-hand leather jackets (a visiting friend recently bought a superb original 1950s police

EATING OUT

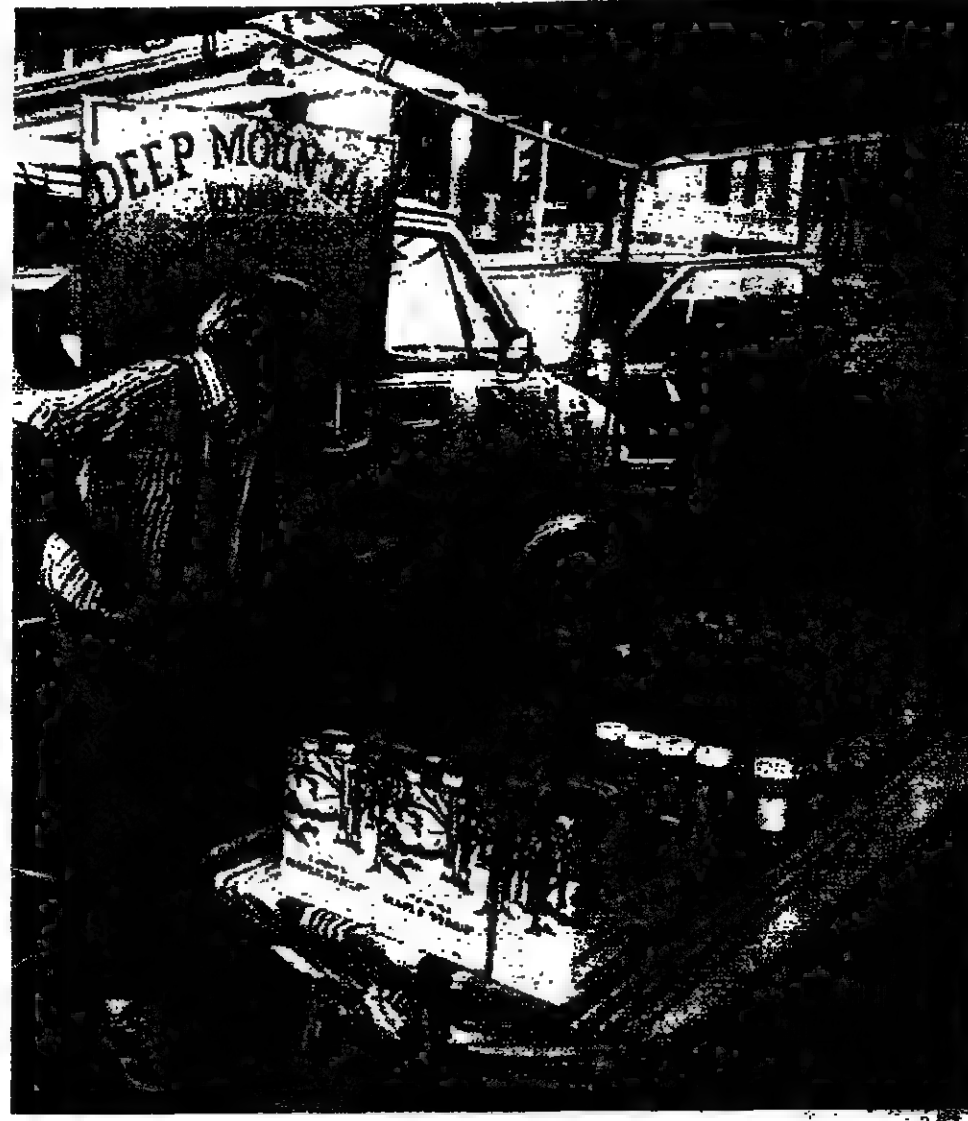
Shopping in New York is enjoyable, but your best time in the city probably will be spent in restaurants and bars. One of my favourite bars is the Paris Café, on South Street right at the bottom of Manhattan. It is a welcoming, comfortable old place, best visited at weekends (when it is not so busy with Wall Street lunchers) and in the early-morning hours, when the traders and fishmongers from the Fulton Street market next door pop in for a drink after work.

If you want to mingle with the young and the beautiful, make for the Coffee Shop on Union Square where you will find more models than on a Paris catwalk. But if you want the truly unusual, step down to the tiny Samurai Bar on Sullivan Street in Greenwich Village, probably the world's only Japanese reggae bar. Drink saké or Sapporo beer, enjoy the music, chat to the friendly Haitian owners — and understand what people mean about the city being a melting pot.

Of all the many restaurants in New York, my favourite for atmosphere and impromptu late-night dinners is Raul's, at 180 Prince Street. Drink with the locals at the crowded bar, or enjoy the simple but well-prepared French food.

If you want a more formal night out, with some truly innovative cuisine, go to the Quilted Giraffe, at 550 Madison Avenue, where the heavily Japanese-influenced creations are gorgeous to look at and eat. Go for the "Beggars' Purses" appetizer — caviar rolled in gold leaf presented on a mini pedestal.

Owner and chef Barry Wine will insist you eat it with your hands behind your back and, while you struggle inelegantly, he will snap a picture to add to a collection that includes Warren Beatty, Madonna, William Hurt, and other luminaries.



For that passing pancake: a roadside stand selling maple syrup

One important note, though: if the New York Giants football team are having a bad season, be extra nice to Frank, the maitre d'.

Finally, if you want to be ultra-tip, head down to SoHo. Start off with a late dinner at Boom, on Spring Street. You've heard of "world music" — well, this is "world food": Moroccan charoula-marinated seafood over cinnamon couscous, or risotto with white truffle oil and white mushrooms. It tastes as good as it sounds and sometimes there is live jazz to enjoy.

After Boom, stroll south to where West Broadway meets Grand Street and fritter the night away at the coolest crossroads in all of New York: the Fellx Bar, upstairs at Jour et Nuit, the West Broadway Restaurant, La Jumelle and Lucky

Strikes are all crammed into one small block. By four or five in the morning you should have had enough, so wind down with a strong black coffee at the all-night Moonshine Diner a few yards away on Sixth Avenue.

You will need a good breakfast every morning to ensure you keep up with New York's pace. Try the Edwardian Room at the Plaza, which is located superbly alongside Central Park. Its beautiful light on sunny mornings eases you nicely into the day.

For the more adventurous who might want to breakfast downtown, tackle the Texan flavours of Cottonwood on Bleecker St by Eighth Avenue, where a big platter of huevos rancheros (hot Mexican eggs) and a large Bloody Mary will put enough fire in your belly to

last through the day — and cure your hangover. *M. HARRISON*

WHERE TO STAY

Most of the well-known New York hotels are grand and expensive in the old-fashioned way so, for those seeking a more intimate experience, try the Lowell on East 63rd Street just off Madison Avenue. The Lowell is located ideally for an evening at one of my favourite restaurants, Le Bilboquet, a cramped but atmospheric French bistro located across the street and popular with the beautiful people of the Upper East Side. Le Bilboquet does not take reservations but if you have to wait, Philippe, the irrepressible proprietor, should keep you entertained.

Patrick Harverson

The important thing to know about visiting Manhattan is that, whatever you do, do not pause too long for breath — not difficult with everything that's happening...

and European designers — as is Barneys on Seventh Avenue in Chelsea, which has the best tie collection and the wackiest window displays in the western hemisphere.

If you want the designer labels at permanent sale prices, go downtown to Century 21, a vast, ugly department store opposite the World Trade Centre.

Do not be put off by the tacky setting because you can find some tremendous fashion

designers, try Betsey Johnson for bright colours in sexy shapes and Morgane Le Fay, where the present autumn fashions are ethereally elegant in warm wine reds, navy blues, off-whites and greys. Both are in SoHo, and all of the above are expensive.

There are too many good shoe shops to mention, but Tootsi Plohound at Prince Street in SoHo and Martines Valero on Third Avenue at 51st Street come recommended for quality women's shoes at good prices.

Anyone looking for home furnishings should head straight for Portico, on the corner of Wooster and Spring streets. It has a lovely selection of antique brass beds, plenty of fine linens, towels, and various bathroom fittings and fixtures. Like many of New York's best shops, Portico is worth visiting just to enjoy the space it occupies — a high-ceilinged converted warehouse with polished wooden floors and tall, wide windows.

If your tastes are more cosmopolitan, go to Hecho-A-Mano on West Broadway, a fabulous shop that sells hand-made Mexican furniture, crockery and glassware, and Zona (also in SoHo, on Greene Street) which sells an enormous variety of gifts for young and old, including some delightful wooden American folk circus toys.

Shopping builds the appetite, so follow the example of many New Yorkers at lunchtime and get something from the many sandwich bars which offer huge, exotic combinations for under \$10. If you want something a cut above the rest, go to Mangia at 54 West 56th Street. Pick up one of its healthy sandwiches, soups or salads and have a picnic in Central Park.

Sheep Meadow, a few minutes' walk from the park's southern entrance, is perfect — it is a special quiet zone and has splendid views of the midtown skyline above the tree-tops.

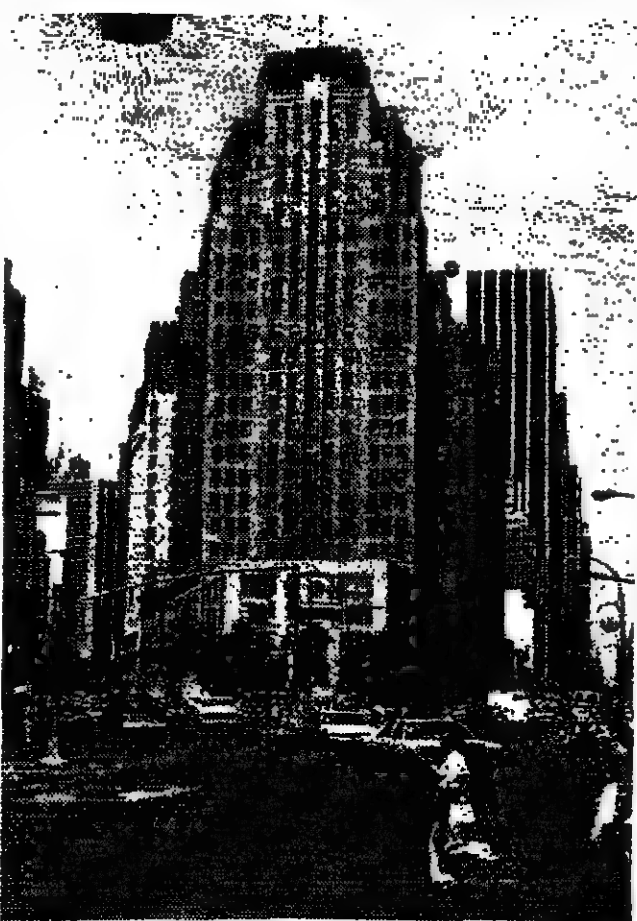
leather coat for \$350), while Second Avenue or the eastern end of Houston Street are equally good for vintage American clothes.

The multi-coloured "varsity" jackets worn by high school and college students are particularly fashionable at the moment and cost a fraction of the price they would command overseas.

Whatever you do, do not leave until you have visited one of the markets which sell the produce from farms in upstate New York, Pennsylvania, and other outlying areas. The best, at Union Square, is held on Wednesdays, Fridays and Saturdays.

The produce, most of it grown organically, is wonderful — especially the sourdough breads, locally-caught seafood, fresh herbs and mouth-watering sweet corn.

The smells and sounds of the market create a glorious atmosphere: on a sunny Saturday morning, there is no better place to be in New York.



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FASHION

Just popping over to Paris for a tie . . .

Paul Keer looks at where the elitists of men's European fashion choose their clothes

ONE OF the pleasures for a man travelling to Europe used to be the opportunity to return with stylish clothing unavailable in the UK. Gradually, more items have found their way to Britain. But the ultimate wardrobe is a combination of classics acquired from Britain and the rest of Europe.

Wider ranges are usually available in a product's country of origin, while the original, continental flagship stores remain an experience in themselves. There are some exclusive, classic items, the finest in their field, which can only be obtained from a particular address.

Shirts, for example. The Englishman is well served by Jermyn Street, London, where Hilditch & Key, Harvie & Hudson, New & Lingwood and Turnbull & Asser line up, demonstrating that a crucial component of fine English shirtmaking is an ampersand.

But the Englishman abroad should still be tempted by a visit to the Jugendstil building in Vienna which houses the century-old company Knize - a tailor used by French entertainer Maurice Chevalier - famous for its hand-sewn shirts.

Bartistoni, Italy's most celebrated shirtmaker, has served Gianni Agnelli, the Fiat chairman, and Gore Vidal, the author and style commentator, with custom-made shirts from his Persian-carpeted premises on the Via Condotti in Rome. Charvet, shirtmakers to Windsors, Rothschilds and Rockefeller since 1838, which sells bespoke and ready-made shirts from its premises on the Place Vendôme in Paris, is still perhaps the most sought after. Customers are personally escorted in a tiny lift to the company's upper floors where ready-made and made-to-measure shirts are supplied.

Charvet's ground floor houses its fabulous selection of ties, another European status item. The language of the old school tie may be an English dialect but the colours of Eton or the Guards go unrecognised on the continent where the

inventive. But the Hermes tie remains the international power tie. The finest selection, including bow ties, is on offer at the Hermes store on the rue du Faubourg St Honoré in Paris.

That flagship Hermes store also offers one of the most prestigious names in British footwear, John Lobb. In London, Lobb produces made-to-measure shoes, which, are among the best in the world. But at Hermes you can buy ready-made Lobb shoes, a strange twist on bringing home stylish items.

Paris also contains one of Europe's most prestigious ready-made shoe shops, JM Weston, on the Champs Elysées, where the styles are discreetly classic. However, in terms of identifiable styling, the Gucci loafer, available from the original Gucci boutique, on Florence's Via Tornabuoni, reigns supreme. This kind of light footwear suggests that your feet barely touch the ground between carpeted office and chauffeur limousine.

Italy beats France by a short head when it comes to hats. True, Mottet et Fils, the hatters on the avenue George V, in Paris, does have a fine selection of traditional styles, and a

turned, and impeccably tailored suits, are ideal for international businessmen. At its store on the Via Pietro Verri in Milan, it offers some of the most sophisticated off-the-peg suits in Europe.

The green Loden overcoat has become a badge of the European intellectual. It is the only item of traditional Austrian apparel which has broken the Lederhosen image barrier, and the reason why it is worth visiting Lanz, in Salzburg, which makes the best in the world. Of course, inclement weather brings out the best of British with the Burberry raincoat, or the Brigg

umbrella. Ironically, of course, half of Europe is trying to look like the English, from Italians in brogues and Prince of Wales check suits, to Frenchmen fixated on le style Anglais. Or, as Tom Wolfe observed: "At a certain level in the class struggle, once you pass a certain point, everyone dresses English."

■ Left: Silk robe, £735. Cotton pyjamas, £105. 19 Old Bond Street, London W1.

■ Right: Seeds Gucci loafers, £195 in sizes 7 to 11, black, brown, blue, red, green, or beige are available from 32-33 Old Bond Street London W1 or 17-18 Sloane Street, London SW1. Document holder, £375, in black, green, blue, red or gold from Louis Vuitton worldwide or at 149 New Bond Street, London W1, 186 Sloane Street, London SW1, 7 The Royal Exchange, London EC3 or Harrods. Black umbrella, £99 in nylon, £235 in silk, from Swaine, Adeney & Wigg at 185 Piccadilly, London W1. Laguiole pocket knife with corkcreeper, £65, Ogetti. Sea Island cotton shirt, £97, from Turnbull & Asser, 71-72 Jermyn Street, London, SW1. Wool jacket, £475, Ermengildo Zegna, 37 New Bond Street, London W1.

■ Below: Hermes tie, £55, in 100 per cent silk. Many different designs. Available from all Hermes boutiques and shops. Silk Salvatore Ferragamo tie, £49 in hundreds of designs and colours, from 24 Old Bond Street, London W1. Belts from £49, from 30-in to 44-inch waist. Available from Loewe at 130 New Bond Street, London W1 or 6 Royal Exchange, Cornhill London EC3, Harrods, or Mitsukoshi in Lower Regent Street, London W1.

neckwear which whispers wealth and taste is the Hermes tie.

Its basic design, of tiny interwoven or repeated motifs, often marine or equine, has been imitated but never bettered. Ferragamo, from Florence, is the latest fashionable alternative, with colours a bit bolder and motifs a little more

real understanding of what an Englishman can wear. But Borasino, perhaps the most celebrated name in hats, combines tradition with a unique flair. Its original shop is on the corner of the Piazza della Scala in Milan, but the best stocked is on Corso Vittorio Emanuele II, where you can find everything from an Indiana Jones fedora to something more suited to the urban jungle.

A fine briefcase is clearly important to the Euro executive. It should fall somewhere between the lightness of an Italian Bottega Veneta, and the heaviness of an English Swaine, Adeney. Louis Vuitton luggage achieves the class which its brash monogram designs lack. Frankfurt is the home of Gold-Pfeil products. Its top quality leather goods, often in intriguing shades and colours, are rapidly gaining recognition.

If you do want something made in Spain, then one of the traditionally-tooled leather belts from Loewe, sold in Madrid since 1846, will bring a genuinely Castilian flavour to your wardrobe.

There is a tendency to inflate the reputation of foreign items which are hard to find in the UK, so the Laguiole pocket knife, from France, has gained cult status, simply because the Swiss Army knife is so easy to obtain.

Equally, there is a tendency to downgrade our homegrown creations. Yet, when it comes to bespoke tailoring, there really is nowhere to match London's Savile Row. There is Cifonelli in Paris, famous for its jacket shoulders, and there is Caraceni in Milan, which dresses Euro cognoscenti like Baron Heinrich von Thyssen and Karl Lagerfeld. But there is something about the sharper cut favoured on the continent which is off-putting to the well-suited Englishman.

For off-the-peg, however, you do have to go Italian. Immediately, everyone thinks of Armani, but his couture-level designs are now veering into an extremely relaxed style, inappropriate for many executives. Ermengildo Zegna is much more discreet in its styling. Its comfortable, crease-resistant fabrics, and subtly pat-

Photographs by
Tony Andrews.
Stylist Paul Frecker

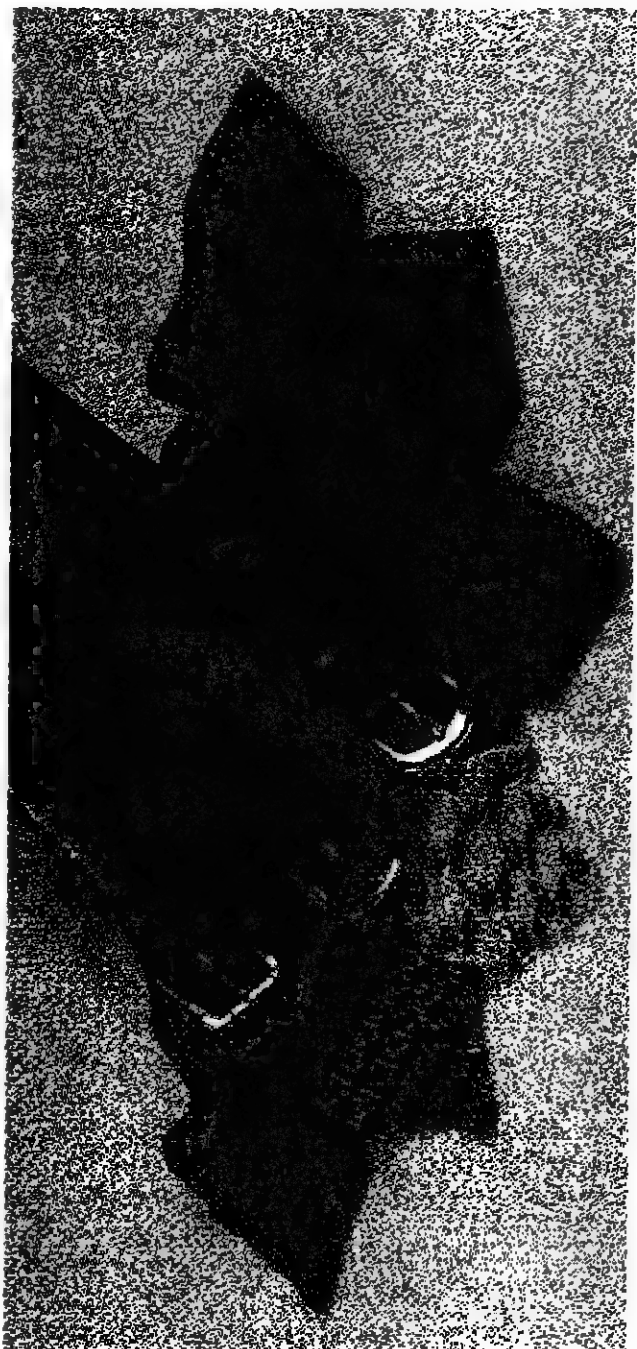
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FOOD AND DRINK

Going to work on a wok

ACROSS the divide which separated 250 noisy diners from hard-pressed kitchen staff came two unusual sounds.

The first was the giggling from 10 young girls who stood by the kitchen door receiving food from the chefs, assembling it on trays and thrusting it to clamouring waiters.

The second noise came from half a dozen washers-up, mainly women in wellingtons and rubber gloves, working as fast as they could. Rents are now so high in Hong Kong and the volume of dirty plates so much greater in Chinese restaurants (they can have eight sets of crockery in circulation compared to three in a western restaurant) that electric dishwashers cannot be justified.

There are enormous differences in how western and Chinese professional kitchens operate. In the west we prize the individual while in China the will of the individual is restrained for the benefit of the community. Hence, in the west, the tradition of great individual chefs from Taillevent onwards, Chinese cooking, in spite of its many changes, boasts no individual chefs of national fame.

Kitchens in the west are organised hierarchically and in a way that allows strong individuals to exert their authority. As a written order comes in, it goes to the head chef who shouts the details (known as the pass). On hearing the pass, "Ca marche" and "Envoyez" the brigade goes in to action.

Sous chefs set to, calling

instructions to lesser mortals such as the chefs de partie while the lowest of the low, commis chefs, hover on edge. The kitchen's other prima donna, the pastry chef, listens for the first dessert order.

The Chinese kitchen is bereft of such hierarchy. The person in charge at the Victoria City Seafood Restaurant in Hong Kong (tel: 827-9938), was the man cooking at the Number One Wok. About 5ft 8in tall, thin, wiry and with very powerful arms, he did nothing

Nicholas Lander turns up the heat in a Chinese kitchen

other than cook. He worked in front of six woks, powered by propane, controlling the temperature with his knecaps and a lever under the range. This way of controlling the heat meant that all the chefs' hands were free to cook.

The chef's cooking utensils were simple. A large, extremely hot wok, groundnut oil and a large flat sieve with which he drained off all excess oil. He used large amounts of water, recycling it, to cool the range and a cooking technique that would terrify any amateur. Once the wok was hot and thinly coated in oil, he threw in the ingredients and then took the wok off the heat, tossing the contents as they cooked.

He could cook in this way during the one-hour lunch ser-

vice (it lasts no longer to allow the diners to return to the stock market) because he never moved. When an order comes into a Chinese restaurant the No 1 Wok is the last person in the kitchen to see it.

The order is taken in the same way, in triplicate, with one copy to the cashier, one for the waiting staff and the last for the kitchen. In a Cantonese kitchen serving dim sum at lunchtime (and in Hong Kong it sits down to such a lunch every day) the order goes first to the back of the kitchen where the raw ingredients for each order are prepared.

Instructions for the steamed dishes - shrimp or beef dumplings, char sui buns, the delicious glutinous rice wrapped in lotus leaves - then go to a side of the kitchen which houses a row of steamers. These, at full tilt, resemble a scene from Dante's Inferno as the cooks appear and disappear behind thick clouds of steam. All the ingredients for the dishes to be cooked in the wok make their way from the preparation area to the back of the kitchen via a chain of expediter. They pass the finely chopped ingredients in sequence virtually into the hands of the cooks and then whip the plates away as soon as they are ready. Lids on, they are passed to the gaggle of giggling girls who assemble the orders from both sides of the kitchen and make sure they are never without clothes pegs.

Economics are forcing certain changes. Soaring rents (new restaurants rarely open on a ground floor but invariably in a cheaper basement or



Outstanding food is available in many of Hong Kong's top class restaurants

upper floor) have led to the disappearance of the traditional dim sum trolleys. And, with 1987 so close, restaurants must repay their investors quickly.

Other outstanding Hong Kong restaurants: Yung Kee, 32-40 Wellington Street, Central, (822-1824), for their roast goose; Rainbow Room, Lee Gardens, Causeway Bay, (853-3311) for the best Peking Duck; Sun Tung Lok, Tsim Sha Tsui, Kowloon, (730-0288) for sharks fin exotic; Zen, Pacific Place, (845-4555) for modern

design and cooking, Hunan Garden, Exchange Square, (683-2880), for hot spicy Hunan food, and The Happy Seafood Restaurant, Yuen Long, New Territories (472-3450) for the very freshest seafood and, on a clear day, a view of China.

Cookery

Teaching men to fend for themselves

BEFORE WE got married, my husband used to woo me occasionally with his cooking. He was a dab hand at such menus as asparagus hollandaise, baked sea trout with cucumber and new potatoes, and a salad of peaches in orange and lemon juice.

Blinded by love, I failed to notice what he had pointed out since - his repertoire ran to three or four menus only. This is as much as a chap needs to sail through social life, of course.

But if the aim is to gain enough knowledge and confidence to create variations on culinary themes, and thus become a fully-fledged cook, then a proper understanding of ingredients and cooking methods (rather than the mere learning of recipes by rote) is necessary.

The belief that every man should be able to fend for himself in the kitchen - and fend occasionally for others, too - explains why colleagues Lyn Hall, Lorna Wing and Rox Denny have decided to rescue non-cooking males in distress.

Next month, they will launch Bachelor Cooks, a course to be held in Fulham, west London, on six consecutive Monday evenings. (How sensible for them to choose such a time - Mondays are always low tide on the social calendar.)

Classes will be limited to 12 and each lesson will take the form of a menu. First, it will be discussed and demonstrated by the three colleagues, then cooked by the bachelors working in pairs.

By 9pm, everyone should be sitting down to eat the fruits and meats of their labours. At this point, the party will be joined by a guest expert who will talk about, say, buying cheese or wine.

Sample menus will include Provencal fillet fingers, honey-glazed roast chicken, basmati pilaf with green herbs, and brochettes of exotic fruits with crushed kiwifruit and gin sauce; and char-grilled vegetables with olive oil bruschetta, steak with red wine sauce and mustard butter, green salad with hazelnut dressing, and whisky syllabub with red fruits.

Each menu is, I gather, designed for two people. I imagine there will be instructions on multiplying them for a dinner party as, seductive tete-a-tetes apart, they are not normally the sort of meals I would consider cooking for two (rather unsuitable, I would have thought, if a friend rather than a lover were coming to supper or for a single parent with a hulking teenager to feed).

The trio promise a very practical approach. Plenty of attention will be paid to shopping such as where to buy, how to recognise quality, and how to use bought-in foods in spectacular ways without feeling

guilty. Some short-cuts will be encouraged, but only those that do not compromise fine results.

There will be help with those most vexed problems for the novice cook: unravelling the finer points of what can and cannot be prepared ahead without deterioration, and learning to organise themselves so that the various components of a meal come together precisely when you want them.

Each of the trio specialises in different fields. Hall is an ace tutor of classic French cuisine, on her own account and for Michel Roux at the Waterside Inn. Wing is a queen bee in catering circles, creator of deliciously witty and imaginative party pieces. Denny is a writer and television cook with a solid reputation for good, plain dishes expounded in a modern and cosmopolitan way.

TOAST-RACK TOMATOES (serves 2)

For those who have not yet learned to boil the proverbial egg, here is a pretty and fairly substantial appetiser that involves no cooking at all.



For each person, you will need one large (5-6 oz) tomato with good flavour. This is a tall order, I agree, but I hope Bachelor Cooks will tell you where good tomatoes can be bought. There is a good Pick Your Own market garden called The Green Landscape, in Hurst Lane, Egham, Surrey.

Remove the stalks and sit the tomatoes, calyx and down, on plates. Slice each tomato almost, but not quite, through to the base, rather as though preparing a stick of French bread in readiness to receive garlic butter.

Fan open gently and sprinkle sea salt, black pepper and torn basil leaves between the slices.

Take about 7 oz of mozzarella di bufala cheese. Cut slices to size and insert them into the tomatoes, like white pieces of "toast" standing in scarlet racks. Drizzle extra virgin olive oil between the slices as you insert them.

Spoon a little more oil over the top and scatter with more basil before serving. Lightly-toasted ciabatta bread from Marks & Spencer will do well for mopping up the delicious juices.

For further information about Bachelor Cooks, contact Lorna Wing (tel. 071-731-5105).

Philippa Davenport

THOSE who missed a trip to France this summer, panicked perhaps by blocked autoroutes or drained finances, could experience much of the essential Frenchness of France for £35. This is the price of *Les Grandes Confréries de France*, a new, privately-published guide to one of the country's identifying institutions.

These confréries are true brotherhoods, built not on personal commercial advancement but on greed of a purer sort. Although ritual is crucial to the 180-odd brotherhoods detailed in the book, their unifying theme is not masonic but, perhaps not surprisingly, gastronomic.

No wine is too obscure, no victual too mundane, no sweetmeat too slight to have an entire constitution, chapter of officers and roster of ceremonies centred on it. Here are

Their world is an oyster

sort. Although ritual is crucial to the 180-odd brotherhoods detailed in the book, their unifying theme is not masonic but, perhaps not surprisingly, gastronomic.

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confréries dedicated to a particular sort of macaroon, quince jam, choucroute, Cavallion melon, pheasant terrine and trilles à la mode terrine.

The confrérie exists to promulgate by gathering, and the typical gathering is a long ceremony during which new members are given an honorary rank and required formally to eat, drink, identify, or swear eternal allegiance to the comestible in question - followed by an even longer, and much more convivial, feast.

In a small village outside Aish, for instance, is the Order of the Stuffed Chicken, male members of which attain the rank of Confrère and females that of Confrérie Dame. The *mirabelle* plum of Lorraine has been defended by its own "consulats" since 1974 but the pumpkin paté of Millancy only since 1980, while the sausage of Muscadet was left to fend for itself until May 1990.

Most seafoods seem to have inspired their own brotherhood of enthusiasts, a high proportion of the confréries being centred on a particular oyster or scallop and one on the squid of tiny Biarritz near Biarritz (ranks: Chevalier and Grand Pêcheur) Even the art

of slashing the top off a champagne bottle with a sabre has its very own Confrérie du Sabre d'Or.

The author and publisher of this heroic and revealing work is Bernard Tardif, president and grandmaster of the Confrérie Gastronomique de la Marmite d'Or (golden stewpot), a sort of National Trust of the French table which re-

Jancis Robinson on the French brotherhoods devoted to eating

urrected an ancient royal company of provisioners nearly two centuries after Robespierre sentenced it to an extended fiasco.

His book is not cheap and one ponders at first the luxury of printing at least one full-colour photograph on most of its 250 pages. But this is to overlook another vital aspect of life as a confrère: the clothes.

The French, more than anyone, believe the maxim that you haven't done it if you

haven't dressed for it and this book provides glorious, and sumptuous, proof of the French robe-maker's ingenuity. Each order has not only its own ranks, certificates and traditions but its own uniform, designed to add pomp to what might otherwise, just possibly, look a little silly.

Ideally, the robe should be floor-length, generous in cut (especially round the girth), vaguely evoke medieval heraldry (and, if possible, the product in question), incorporate a sash and/or clanking insignia and, of course, a hat.

Typical, and very smart, is the uniform of the Chevaliers de l'Olivier, based at Nyons in the southern Rhône. Their velvet cloaks with matching olive-spigged trillies are, of course, in olive green (the regulation red bow tie surely not representing a pimento stuffing?), but the rig-out must be jolly hot at their regular meeting on the first Sunday of July.

One of the most fetching costumes is the emerald and shocking-pink satin smock and baker's bonnet worn by the Confrérie of the Sauzeaux Raspberry, founded in 1972. On the other hand, the bril-

liant orange robes and green striped headgear designed to celebrate the Cormery macaroon look as though they had just been unpacked for the photographer - but then, this confrérie was founded only in 1980.

It is not at all like the seriously charitable, and seminal, Jarade de St-Emilion to which I have the honour of belonging (as Dame) along with the claret Commanderie du Bon-temps du Médoc et Graves, and the grand order of the burgundian small (which, worryingly, does not feature in this book; but then, I was told when I joined back in 1977 that France already imported most of its snails from Taiwan) and the noble order of the trout normand (or mid-meal shot of calvados).

The oldest of France's confréries, the Jarade, can trace its roots back to 1199 and is based, like all of confréries, on a charter governing the administration of a part of France then under the English crown. So, it is possible that, without Albion, French life (and presumably Monsieur Tardif) would be considerably poorer.

Les Grandes Confréries de France is available only by mail from Bernard Tardif, 5 Allée de la Chevellerie, 31170 Chambray-les-Tours, France. FRF315 inc. postage.

As They Say In Europe

Sophisticated louts

but a band of street adventurers. In actual fact they are well-prepared and trained for street-fighting.

Kaniewski concluded that the reasons for the pogrom were not economic, but natural taste for dictatorship among the citizens of the former GDR, so long as "order" was kept.

The Poles have a special distaste for the citizens of the former German Democratic Republic after 40 odd years of "fraternal socialist friendship."

Now the Austrians are supposed to exhibit Germanic xenophobia only more so, so the Vienna press has done all it can do to distance itself from German events and avoid being tarred by the Rostock brush.

Kurier wrote, "The mob rages on the street. The state

finances are threatened, business is worried. Nazi thugs receive bourgeois applause. The news from Germany. It recalls bad times. And arouses the fear that such times might return." But *Kurier* concluded that democracy in Germany was strong, "but more in the west than the east."

For the French the events in Germany have become merely an adjunct to the Maastricht argument. Nobody in the "Yes" camp pretends that the proposed treaty on economic and monetary union is a good thing; argument consists of listing the dire consequences of voting "No".

Liberation thinks both sides are playing the same game: "For one group, the proposed European Union consecrates German domination, for the

other, it is exactly the opposite: a 'No' would provoke a fatal divorce between France and Germany putting the latter in the dominant position on the European continent."

But the paper came down on the "Yes" side, "because a 'No' victory would end up by convincing Germany that the French have an opportunistic, egoistic conception of Europe, that Germany must sacrifice itself still more so that France can maintain the vain illusion that it governs the world."

There are few papers that espouse the opposite cause. Those that do originate from an odd or unsavoury point in the French political spectrum. Thus the communist *Humanité* accuses the "Yes" camp of out-doing itself in its "chaos blackmail." But it turns one of the

arguments of its opponents on its head. "The idea that Europe cannot be made without France... UNIMAGINABLE! they shout in unison. And that is right." In other words there will be no 'Europe' without France so vote 'No' because otherwise there will be a "Europe of the great money powers dominated by Germany." The French will vote no, perhaps, because it is their last chance to play a decisive role in Europe.

It was all summed up in a glorious writer of metaphors in *Die Welt*. "In the struggle for the Maastricht vote, the house is set ablaze to grill a schizoid. Both sides say they see demons at work in Germany; one group would die it down, the others say one should not get under its claws. The political class is divided but a 'No' would be its Waterloo..."

James Morgan

James Morgan is diplomatic correspondent of the BBC World Service.

FARR VINTNERS

Q. How many wine merchants list 37 chateaux of the magnificent 1982 vintage? (Michael Broadbent - Christies)

A. Certainly one; Farr Vintners offer 38 chateaux in their new September list.

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TRAVEL AND MOTORING

Slave to wind and wave

THESE IS no escaping the wind in the Shetland Islands. It swings across the chill North Sea like an invisible fist, whipping spume from the waves, stopping walkers in their tracks and carrying off untethered objects: dustbins, picnic rugs, sheep, unwary tourists.

The locals seem to consider Force 7 on the Beaufort scale a mild breeze, although Force 10 is enough to make them mutter: "Aye, the wind's picking up a mawel." The Arctic terns, knife-sharp, gorgeously streamlined, ride the air currents like Top Guns. Puffins - dressed to kill in multi-coloured beaks, dinner-jacket bodies and stubby orange feet - blunder about like colour-blind gnomes. Only the Shetland ponies seem unmoved, grazing pot-bellied and content in rough pastures.

It is the remoteness of the Shetland Islands, far off the north-east of Scotland, that gives them their wild climate. They are slaves to wind, wave and weather, volcanic outcrops cast adrift in a great expanse of water. The convoluted coastline means that no point of the main island is more than three miles from the sea.

Andrew Anderson braves the elements in Shetland

They are not as flat as their diminutive size might suggest, rising from the sea in craggy leaps to create a jagged skyline. The interior is rippled with hills, soft green in the South Mainland hardening to near-Arctic tundra in the north. The islands have no trees apart from a tiny, stunted cope that has become a tourist landmark: people drive up, leap out, point at a tree, have their pictures taken and drive off again, much to the locals' amusement.

The islands - some 38,000 - regard themselves as Shetlanders first, British next and Scots some way behind that. They enjoy waving cheerily at cars, or passing the time of day. Shared interests, once unearthed, lead to complete strangers to rummage in fishing bags to find you a top secret trout fly.

At the Sumburgh Hotel, standing solidly by the airstrip on the tip of South Mainland, everyone seems to know each other, and the "outcomer" oil rig workers, regularly grounded by fog at sea, stand out in the crowd. Jarlshof, the unearthing Viking settlement, is a few yards away and well worth a scramble among the stone houses and beautifully constructed underground chambers. Sumburgh Head is good for puffin-spotting.

Lerwick, the Toytown capital, can be covered in a couple of hours, but after the deserted countryside can seem like a metropolis. Lerwick is best known as home to the Up-Helly-A festival, a New Year shindig of Viking costumes, flaming torches, epic tale-telling, epic drinking and the ceremonial torching of a replica long-boat in the harbour.

Tourism in the 17 inhabited islands is geared to the outdoors. Bird watchers will have a field day: besides terns and puffins there are gulls and guillemots, cormorants and oystercatchers and the thuggish great skua, or "bonxie", which dive-bombs any twit who strays too near its nest. Anglers can cast a fly in a different trout loch every day for a year - although the wind may cast it back at them - or try salt-water sea-trout fishing in the "voes", where a loch meets the sea. There is sea fishing, riding, sailing (for the brave: the sea is glacial) and wind-surfing (for Spartans).

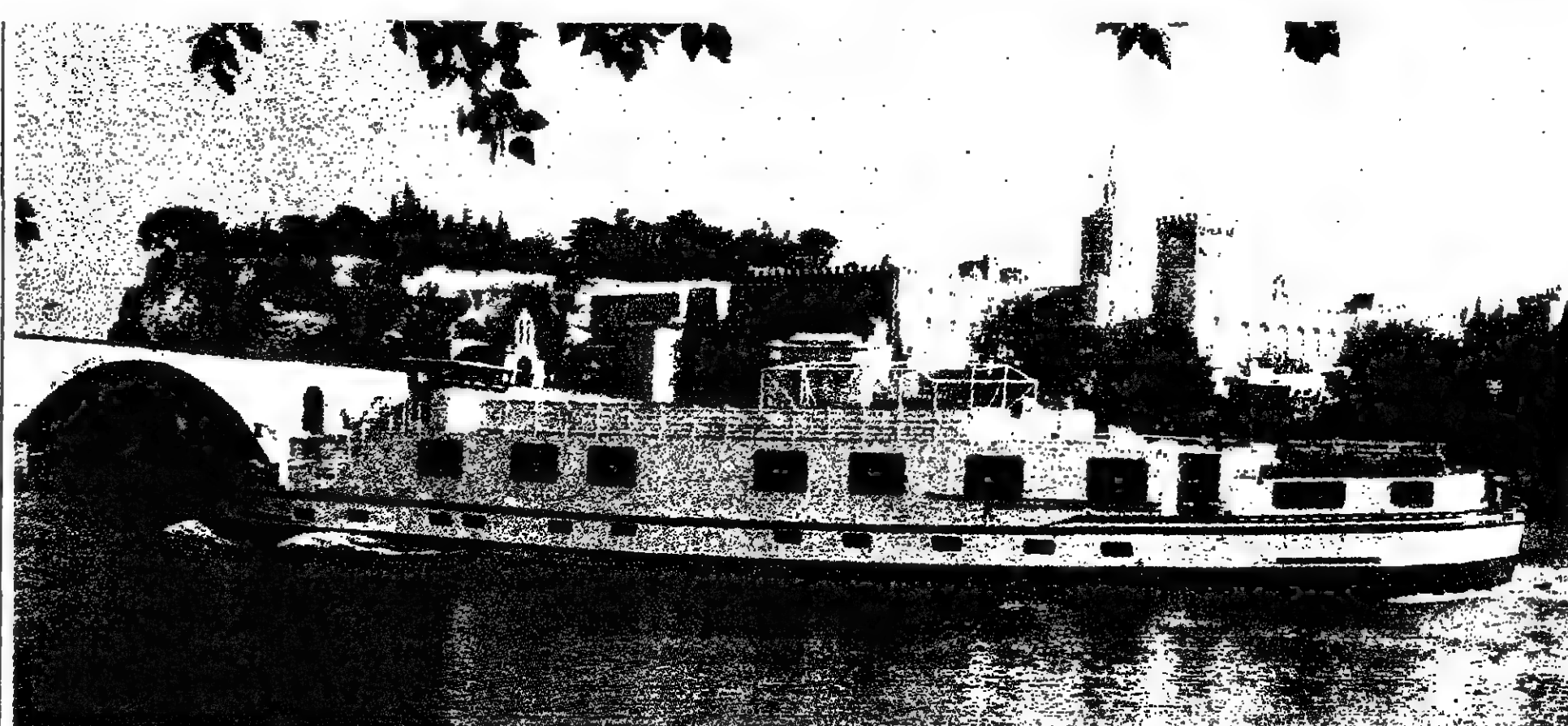
All land is common so this is a walker's paradise, especially on the springy turf of the cliffs from which one can watch seals sporting in the surf like aquatic labradors. The air seems scrubbed clean. A couple of hours strolling in a "mild breeze" is enough to wind-blust one to tingling exhaustion. St Ninian's isle is particularly recommended for walking, being joined to the South Mainland by a "tom bole", a shimmering spit of white sand.

Being so far north, the summer months boast near all-round daylight, a time known romantically as the Summer Day. Conversely, winter is as black as black, although the Shetland tourist board has baulked at calling it the Winter Dull. The benign Gulf Stream means that the islands are rarely very cold - but then they are never very warm, either.

Accommodation is plentiful, cheap and largely concentrated in bed & breakfast or self-catering cottages. Many of the island's purpose-built hotels are architecturally horrors, but isolated Bunkie House - a former laird's home in North Mainland that claims to be Britain's most northerly luxury hotel - is well worth a trip. Its bar is warming, its walls feel thick and the library comfortable.

Busta's resident ghost - a woman wronged in love in the 17th century - was to be heard moaning in the corridors. Or perhaps it was the wind.

None of the Shetland tourist board: Information Centre, Lerwick, Shetland Islands ZE1 0LU, tel: 0595-3434. Busta House Hotel: Busta, North Mainland, Shetland Islands, tel: 0866-22504. A double room with breakfast costs £73 per person, a set four-course meal £19.50 each.



MY Napoleon: a relaxing and luxurious way of seeing France - at £267 per person per night

A rich folk's cruise on the Saone

Michael Thompson-Noel enjoys a restorative (but expensive) experience on a Burgundian waterway

THE MY Napoleon is a river cruiser that generally piles its trade on the River Rhone, in France, between Lyon and Arles, or vice versa. It is 128ft long and 16½ft wide, and was converted from the hull of a freight-carrying barge built in Belgium in 1963.

Sounds like a plodder? Not at all, for the purchase and transformation of the Napoleon from barge to luxury passenger vessel cost £1.5m. As a result, its owners are confident that it is the most comfortable small river cruiser operating in Europe.

Which means that it isn't cheap. In the current high season (until mid-October), eight days and seven nights on the Napoleon cost £2,566 per person, with an extra charge for single passengers of £1,163 (total: £3,729). Even at low-season rates (October 31-November 11), eight days and seven nights on the Napoleon are priced at £2,196 per person (single supplement: £1,011).

I was aboard the Napoleon recently, not as a fare-paying passenger, I needlessly add, but as a non-paying guest accompanied by Miss Lee, my assistant. The only other passengers were a travel writer from The Daily Telegraph and her assistant.

None of the Shetland tourist board: Information Centre, Lerwick, Shetland Islands ZE1 0LU, tel: 0595-3434. Busta House Hotel: Busta, North Mainland, Shetland Islands, tel: 0866-22504. A double room with breakfast costs £73 per person, a set four-course meal £19.50 each.

deck with a six-person Jacuzzi, perfectly decent food, flexible itinerary and a seven-strong crew of impeccable disposition - was inspired or foolhardy.

Inspired, I greatly hope, for cruising on the Napoleon must be one of the most engaging and relaxing ways of seeing France yet devised. The vessel mainly cruises on the Rhone, though my trip was on the Saone, a gentle Rhone tributary, pottering from Vienna to Seurre, near Dijon, a distance of 200km, via Lyon, Trevoux, Macon, Tournus and Chalon-sur-Saone.

Nothing could have been more soothing. The Saone cruise is particularly aimed at those interested in Burgundy's wine, architecture and pre-history. At £367 per night, the cruise is restorative and healing, with plenty of side-excursions.

The Napoleon's first season was last year, when business was sabotaged by war and recession. This year, Charter-barge, the company that owns it, is hoping for an occupancy rate of 70 per cent, of whom many will be Americans. The president of Charter-barge, Gerard Morgan-Grenville, who lives in Normandy, Morgan-Grenville says that one of his life-long hobbies has been landscape painting. He bought a barge, the Virginia Anne, as a floating studio, and it was this that turned him into a waterway freak with an interest in the liquid history of Europe's rivers and canals.

The Virginia Anne, newly refitted, now takes private parties of four or less on the Niv-

ernais canal in Burgundy. The complete voyage, usually nine nights, runs from Auxerre to Chiryle-Mines. A third vessel, the Fleur de Lys, is described by Charter-barge as a "large, floating Champs Elysees apartment accommodating up to seven guests in unmeasured comfort."

The Fleur de Lys was launched in 1986, has three staterooms, carries a maximum of seven guests, has a small heated swimming pool on her foredeck and dreams along the Marne-to-Saone canal, also in Burgundy, through countryside virtually unchanged since the canal was built in 1863. A party of six chartering it for six nights in high season would pay £3,000 each; 13 nights: £5,334 each. If there were only two of you, the charge would be £9,000 for six

nights, £16,000 for 13. Most canal and river passenger boats in France are British-crewed and -run. The Napoleon is lucky in its crew, six of whom are British, led by skipper Mike Gardner-Roberts, 34, whose wife Lesley also works on board. The only Frenchman is pilot Thierry Martin, 37, son of a long line of barges, who has worked on the Rhone for 13 years.

It must be pleasant to cruise the Rhone, which is France's fastest, most powerful river, second only to the Loire in length. In olden days, flat-bottomed wooden barges, often lashed together eight at a time, were pulled up-river by teams of 80-100 horses. By 1829, the journey down-stream, Lyon to Arles, could be done in 14 hours - much quicker than today, because of the monster locks with which the modern-day Rhone has been tamed,

and slower current. The return journey took 88 hours.

On the Napoleon, meals are informal, dress casual. You can always discuss menus with the cook. A visit to a Michelin three-star restaurant for lunch or dinner is included in the itinerary. The tour prices quoted here include airfares from London, all meals, drinks and excursions.

The company states: "Our staff do not expect gratuities as a matter of course. However, if you consider that you have been well looked after and would appreciate a guideline on tipping, we would suggest approximately 5 per cent of the ticket price as a suitable gesture." I consulted long and hard with the Telegraph - 5 per cent of two ticket prices indicated a recommended gratuity of £256.60 per couple. "We're not rich," I told the Telegraph. "Even the tip would

cripple us." In the end, we left £50 per couple.

The Napoleon, Fleur de Lys and Virginia Anne feature in a brochure, Burgundy Waterways, from Abercrombie & Kent Travel at Sloane Square House, Holborn Place, London SW1W 8NS, reservations: 071-730-9800, fax: 071-730-9376. The brochure also features the Vertrouwen (Caledonian canal and Loch Ness); the Actif (River Thames); L'Abercrombie (river-plus-canal, Burgundy); the Laigrette (upper Loire and Briare); La Loire (Burgundy canal); the Mark Train (Bordeaux or Midi); the Rembrandt (Holland and Belgium); the Anneluise (Seine and Yonne, between Paris and Burgundy); the Normandie (Seine, from Honfleur to Paris); the Victoria Cruciana (Rhine); the Danube Princess (yes, the Danube); and the Hebridean Princess (coastal cruising off western Scotland).

Motoring

A Mercedes to remember

HAVING owned and driven cars for more years than I care to remember, I reckoned I could look at any of them dispassionately. They are, when all is said and done, steel boxes on wheels.

But parting with the Mercedes-Benz 190D 2.5, almost exactly 13,000 miles (19,320 kms) and one year after driving it brand-new to Frankfurt for the motor show last September, has been a wrench. I shall miss the three-pointed star at the end of the bonnet more than I had thought possible.

The 190D 2.5 that has served me faultlessly is that rare bird, an automatic diesel. Engine and transmission are matched beautifully. Driven with a light foot, it changes up silkily at under 2,000 rpm.

The 190D 2.5 is not particularly high-gear: 81 mph (130 kmh) on an outcruise requires 2,500 rpm. But the 2.5-litre, five-cylinder engine is so quiet that passengers often have needed convincing it is a diesel. Between 70 mph (113 kmh) and 100 mph (161 kmh), the noise level hardly changes. More than once, when enjoying music on a motorway, I have been surprised to find the speedometer needle has edged into the naughty 90s.

Automatic transmission is

near-essential for the business motorist and air-conditioning - a boon during the sticky summer - a most desirable extra. But both absorb some power and do nothing for fuel economy. So, I rate the 35.94 mpg (7.86 l/100km) I have averaged over the year most satisfactory. During that time, the Mercedes has had plenty of very short trips and cold starts as well as long motorway hauls.

Stuart Marshall laments the loss of his 190D 2.5 - a car of top quality built for adult motorists

The engine is naturally aspirated. (While there are turbo-charged Mercedes diesels, you cannot buy them in Britain because a right-hand steering car would get in the way of the plumbing.) Its 94-horsepower output is modest for 2.5 litres - it is only marginally more than that of the 1.9-litre turbo-diesel in the Citroën ZX, and its torque (pulling power) is substantially less.

A two-pedal 190D 2.5 would not appeal to an impatient, forceful driver. In a traffic lights grand prix, it is no match for a company rep in a Cavalier L. Does this matter? Not to me. I learned long ago that dashing from one hold-up to another is always pointless, sometimes counter-productive.

The extra weight of the five-cylinder diesel compared with a standard 190's four-cylinder petrol engine does nothing for its agility on a winding road. But the up-side is that the car runs straight on a blustery

motorway, brushes rough roads aside and, even by Mercedes standards, feels unusually solid and enduring.

A 190D 2.5 is for adult motorists - for people who admire top build quality, want doors to close with a soft thud, and expect a car to drive like new when it has at least 100,000 miles on the clock.

Mercedes virtues are more easily perceived than described. It is a bit like trying

being reunited with an old friend.

Of course, it is not a perfect car. Just a very good one. Even with the driving seat set as low as possible, the non-adjustable steering wheel's rim partly obscures my view of some instruments. A convex outside door mirror (like the nearside one) would reduce a blind spot that can be awkward when joining a motorway.

Rear seat leg-room is adequate rather than generous although the boot is enormous. It easily takes two golf bags in their trolleys and a weekend's luggage. And the car's nose-heaviness makes the front tyres work hard when cornering. Their outer shoulders are beginning to show enough wear to make tyre rotation worthwhile at the 12,000 miles service now due.

Apart from that - and a boot lid scraped slightly by someone's luggage trolley in the Gatwick airport short-term car park - the Mercedes looks and feels as if it had just left the showroom.

First cost of a 190D 2.5 is high. It is listed at £20,346, which includes power steering, electric windows and central locking. But its key-in-hand price with automatic transmission, air-conditioning, power sun-roof, stereo radio/tape, alloy wheels and exterior thermometer is closer to £27,000.

That is not the whole story, though. Few used cars are more sought-after or command better prices than a Mercedes. Given proper servicing it will last longer, depreciate more slowly and provide better long-term value (as well as better motoring) than almost any other car.

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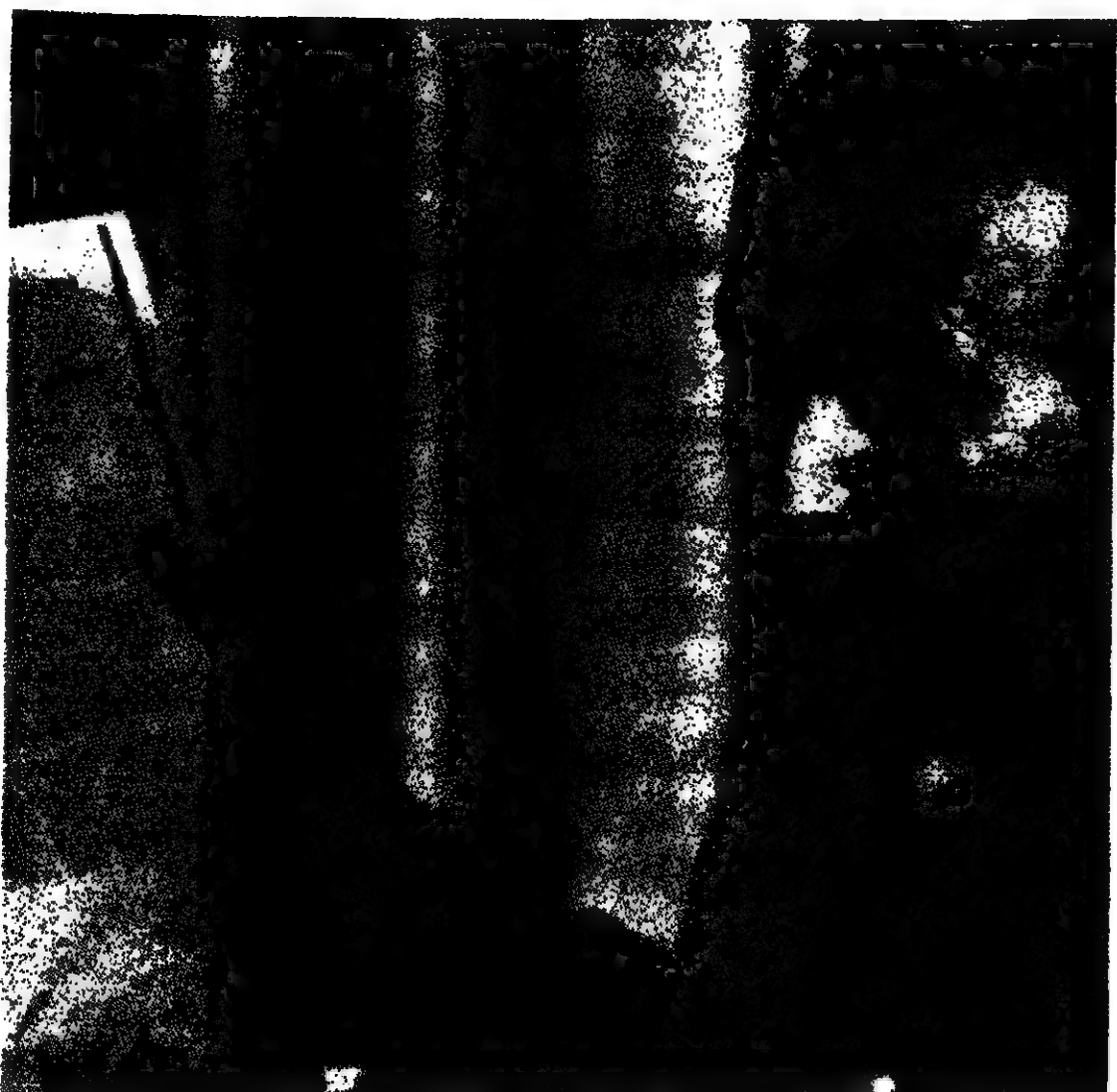
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PERSPECTIVES AND GARDENING



Splitting mad: Bobby Fischer holds a letter warning that his chess match violates UN sanctions

The dark knight returns, his strange genius undimmed

Bobby Fischer is back, still bad and still brilliant, writes Dominic Lawson

AFTER 20 years' hibernation Robert James Fischer has proved that, whatever powers he has lost, he has not lost the power to cause offence. His remarks at the press conference at the outset of his return chess match with Boris Spassky were vintage Bobby.

As *The Times* reported: "Time has not mellowed his eccentricity. Judaism, Israel and the United Nations all came in for fusillades. Fischer did, however, attempt to clarify the widespread assumption that he is, despite having a Jewish mother, a convinced anti-Semite. Not at all, said Fischer, with his usual loopy logic: "Anti-Semitism is a nonsense term because my understanding is that the Arabs are also Semites, not only the Jews. And I'm definitely not anti-Arab."

Fischer is still, though, a rabid Russophobe, calling all the top former Soviet players "criminals... the lowest dogs around." As for the American government, Fischer found that words failed him: he simply spat on a letter from the US State department requesting him not to play the match which, being held in Serbia-Montenegro, infringed the United Nations embargo against that country. All in all, the ravings of a charming and unpleasant person.

And yet the next day Fischer, in his first chess game for 20 years, produced what I can only describe as a perfect work of art. He destroyed Spassky's ultra-solid position by a series of elegant manoeuvres all strung together by infinitely subtle mental pirouettes.

To the chess addict, and I confess I am one, it was an almost heavenly experience to witness the creation, move by move, of a 20th century masterpiece, which, if it had been a painting, only the Getty museum could afford. Above all there was the stark contradiction between Fischer's crude and unpleasant political posturings, and the flawless beauty and integrity of his inner thoughts, made visible on the chess board in Sveti Stefan.

For some reason we do find it very difficult to accept that the genius can also be a clown, or worse. Perhaps it arises from the popular view that true genius is a rare gift from God, and that someone touched by Divinity can not also be touched by the Devil. Peter Shaffer made this the theme of his play *Amadeus*. The main character, Salieri, an ambitious and devout hack court composer, could not accept that the sublime music of Mozart emanated from a man whose character in all other respects was crude and jejune. So

Salieri lost his faith in God and murdered Mozart.

Strangely, literature has also touched on this theme in the context of chess. Stefan Zweig's story *The Chess Player* is in part an account of the supremacy in chess of a crude peasant, Cvetkovic, a man totally devoid of any culture. For Zweig, a fleeing Jew writing at the outset of the Second World War, Cvetkovic was a symbol of the dull and philistine power destroying everything he cherished. Zweig committed suicide before *The Chess Player* was published. I wonder what Fischer would make of it all, if he ever bothered to read *The Chess Player*.

It is of course, naive to think that what we call genius is simply a gift, whether God-given or simply genetically inspired. Fischer's creations are the result of a fantastically single-minded study of chess from a very early age.

Consider such other sporting "geniuses", as Nigel Mansell and Nick Faldo. Like Bobby Fischer, they are completely driven men. And while Mansell and Faldo, unlike Fischer, have managed to marry and start families, it is still clear that they are difficult men, frequently self-centred and charming. For some reason sports

auditors find this very difficult to accept. Racing fans want to believe that Nigel Mansell is a "great guy", and golf fans want to believe the same of the prickly and (sometimes) offensive Faldo.

George Orwell touched on this strange human weakness in a brilliant 1944 review of Salvador Dali's autobiography, *The Secret Life of Salvador Dali*. At that time the book was considered far too obscene to be published in Britain, and indeed Orwell's review of the American edition was also banned in this country.

Orwell himself was disgusted by Dali's necrophilia and other warped sexual obsessions, but at the same time insisted that Dali "has 50 times more talent than the people who would denounce his morals and jeer at his paintings."

Yet Orwell noted that those who admired Dali's work could not accept that the man was depraved, and those who thought the man depraved could not accept the brilliance of his draughtsmanship. Such people, Orwell said, are "unable to admit that what is morally degraded can be aesthetically right." That telling phrase encapsulates the paradox of Bobby Fischer.

■ Dominic Lawson is editor of the *Spectator*.

I'm dreaming of a white autumn

ETCHED on every ambitious gardener's mind is the image of white flowers, set against dark green hedges and shown off in the cool of a summer evening. No doubt it has been deeply etched on those of you trapped in a freak European summer, where the swimming-pools turned green, the children nearly suffocated, and the railway lines melted in the extreme Italian heat. Back in England, the railway lines have other problems; swimming-pools will be swimming-pools, but the gales and sudden coldness have not wiped out the image of pale flowers as the garden turns peacefully towards autumn. White gardens now stretch far beyond their famous model at Sissinghurst Castle. It takes skill to keep the white flag flying in September and, personally, I relish the challenge.

By early autumn, white flowers are widely believed to have gone into retreat. White corners are a tangle of old campanulas; white roses are out of season; and the white flowers on the giant clematis have vanished, leaving a mass of leaves like yellow cabbage. The best white flowers are not a soft colour which needs to be segregated. They can easily compete with yellows, deep blues, and especially strong reds. I would rather use them at intervals round a small garden, especially in the darker setting of a

back garden in the city: they are more impressive if they are not isolated.

This year, any expatriate would pine for some of our Japanese anemones, which are flowering madly after a summer with so much late rain. They ought to be a town gardener's first choice for a welcome home after the summer holiday. They will put up with dry shade and life in a narrow bed below a London wall. They need a few years to give of

and year from a seed packet. Probably, it ought to be tied to a stake, but I have let my young plants fall with their white flowers sideways, like a graceful form of willow herb. Anemones hold themselves upright, but *Gaura* throw themselves around very prettily. One danger is that a hard winter will kill them off.

At intervals beyond these two fine plants, you need spires and spikes of white. The spires are best found on the

nowadays wherever the garden can run slightly out of control. Hardy white fuchsias are another possibility, often forgotten for their ability to put up with shade. White hydrangeas are more obvious and particularly handsome in this wet year: the best of the hardy forms is still *Mme E. Mouilliere*, although the more subtle style of the *Lacecap* varieties is superior.

This year, I have a new favourite, always listed but seldom seen in thoughtful plantings, perhaps because it seems too obvious. The white-flowered *Obedient* plant is five times as good as its purple-pink sister: its dark green leaves set off obedient stems of white flowers to a height of about two feet. Its worst enemy is its name, *Pysostegia Summer Snow*, but I like to alternate groups of it with the white *Penstemon Snowstorm*, which took such a beating from its namesake last winter. At a greater height behind them, you cannot beat the best of the phloxes, the robust *White Admiral*, which flowers from July until late September, if you remember to dead-head it. There is something special in this variety's pale green leaf and breeding which gives it the vigour lacked by other phloxes in the pale-colour range. Breeders ought to investigate it.

White flowers without scent would be a poor half-measure. Many people complain that

Robin Lane Fox on how he plans to keep the white flag flowering until the first frosts strike

their best and should never be judged by their first two seasons' performance. I have compared the varieties carefully and I am convinced that it is worth paying more for the white form with the biggest single flowers. *Gauche des Blanchés* is its true name, although this lady giant sometimes turns up as *White Queen*. I see no particular merit in the double forms. The single whites are a godsend and, after a few years without disturbance, they spread prettily.

Below them, at a lower height, I recommend the *Gaura lindheimeri*, which I have grown to maturity in its sec-

ond year from a seed packet. Probably, it ought to be tied to a stake, but I have let my young plants fall with their white flowers sideways, like a graceful form of willow herb. Anemones hold themselves upright, but *Gaura* throw themselves around very prettily. One danger is that a hard winter will kill them off.

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Bright blooms: the model for white gardens at Sissinghurst Castle

scent is almost unavailable later in the season, but they forget their tobacco plants and are among the hundreds of gardeners who overlook the east of white lilies, *Lilium formosanum*. If you sow seed of this variety in January, it really will flower in the first year of its life. It is extremely easy and is best managed if

you pot it on by stages into six or seven inch pots. In late June, they can be let into gaps left by early varieties. Next week, they will join the last of the white tobacco plants and will spread a strong scent through the chill of early autumn evenings. Many town gardeners cram the lovely regale lily into pots for July,

but forget to do anything about this lovely sequel, a lily which is happy on any good garden soil. Lastly, I would play around with autumn crocuses. The blue varieties are well-known, but I have a weakness for the white-flowered *Crocus speciosus albus*, which soon makes a good clump in any light soil.

The flowers will be showing in mid-September, but the leaves have to wait until next spring. Like all strong whites, they make a big impression in small dense groups. The battle for colour is far from over, and it merely needs a touch of cunning to keep the flags of white still flying until frost finally forces us all to submit.

Japanese style in an English setting

ALTHOUGH the British involvement with Japanese gardens is very old, English gardeners have never tried to follow in any great detail the philosophical ideas which inspire much garden-making in Japan. Instead, Britons have either used garden artefacts from Japan or made imitations of them.

Quite often, these have been associated Japanese plants, but in styles of planting and design that are wholly British. The story often has been told of the Japanese dignitary who was taken to see a "Japanese" garden in England and made the wry comment: "We have nothing like it in Japan."

The latest example of a Japanese garden in Britain was opened this spring at Capel Manor Horticultural and Environmental Centre, Bullsmoor Lane, Enfield, Middlesex. It sets out to represent what Japanese gardening is all about. But, in visual terms, it falls short by attempting too much in too small a space, so confusing one type of Japanese gardening with another. It also uses reproductions rather than genuine Japanese ornaments and buildings.

The 12-page folder prepared to explain and illustrate the garden is, however, excellent and contains a foreword by Dr David Hessayon which gives an excellent idea of the various styles of Japanese garden-making. He says the basic principles can be set out in 60 words. The Japanese garden, he says, is a place where the designer, with a selection of stones, sand, water, rocks, bamboos



Enfield willow-pattern: the Japanese garden at Capel Manor in north London

and/or plants, seeks to achieve a harmony between the in (low, dark, delicate, feminine, damp) and the yo (high, bright, strong, masculine, hard). Everywhere, the in must be balanced by the yo.

He explains all this in detail, and much of the rest of the folder is taken up by illustrations of individual details. The purpose of this garden largely is educational, and visitors seeking to learn from it evi-

dently are intended to pick and choose what is relative to their particular needs and ideas and not to try to copy the whole.

I have no quarrel with this, but I think that most British gardeners would be well advised to do just as they have been for at least 100 years when employing the Japanese tradition - that is, to use it in whatever British surroundings seem to be pleasing. For me, there is nothing incongruous

about the lovely, and genuine, Japanese rest house in the Batsford Park arboretum in Gloucestershire, nor in the life-sized bronze animals there which Lord Redesdale brought back from Japan to place at strategic points in the wide grass rides through the trees.

There are many fine Japanese tea-houses in British gardens, none more beautiful nor placed more pleasingly than that at Heale House, Middle-

Woodford, near Salisbury. This was built by Louis Greville early this century and erected by four Japanese workmen brought over for the project. It stands over two streams which cross each other at right angles, one passing under the other in a short conduit. There is also a red Nikko-style bridge and all around are lanterns and other Japanese ornaments. The whole is screened by trees and there are plenty of lush waterside plants, but there is no attempt to follow any Japanese philosophical idea. Nevertheless, it is beautiful and represents a style of garden-making which is very British.

The most extraordinary Japanese garden I know is in Ireland - at Tully House, Kildare. This was made by a Japanese specialist, Tassa Eida, between 1906 and 1910, and represents life from birth to death, a progression through tunnels, up hills, beside streams and across water. There is a tea-house in which the traveller rests before dying. It is beautiful and it seems to me to be westernised almost completely.

The most remarkable situation I know for a Japanese garden in Britain is outside the formal garden at Torosay Castle on the Isle of Mull, on the west coast of Scotland. It is exposed completely to the rough waters of Loch Linne and, on a clear day, you can see Ben Nevis. Here, you might regard the garden itself as all in and the landscape in which it is placed as all yo, but I do not suppose that whoever made it had that in mind.

Arthur Hellyer



Plant of the Week
Fuchsia Lady Thumb

An upright yet dwarf hardy fuchsia which is specially suitable for window boxes and containers because of its compact growth. The neatly-formed flowers have carmine sepals and a white corolla, a very keen and distinctive contrast. This variety could be paired with Tom Thumb which is similar in height and habit and has scarlet and mauve flowers. All hardy fuchsias can be planted outdoors and if covered with two inches of soil for protection are unlikely to be killed by frost. In many winters stems may be killed to ground level but should be removed in spring when new growths will appear rapidly from the roots.

BOOKS

Fiction

Bringing the dead back to life

Stephen Amidon on a novel full of puzzling twists

ALASDAIR Gray's fourth novel is constructed so cunningly that it contains excerpts from mock reviews on the dust jacket, one of them favourable, the other dismissive. The former praises it as an amusing piece of "light fiction," the latter slams it for belonging to the overworked genre of Victorian pastiche. The reader (and, alas, reviewer) are thereby forewarned - this is not a work that will yield itself easily to a final analysis.

Poor Things pretends to be two recently-discovered historical documents which Gray has "edited" by providing an introduction, illustrations and copious notes. The main body of the book comprises the memoirs of Archibald McCandless, "the bastard bairn of a poor peasant," who goes to Glasgow to study medicine in the 1850s. He befriends Godwin Baxter, the eccentric and grotesque son of a famous surgeon.

McCandless soon learns that Baxter has inherited from his father the skill to re-animate dead creatures, a skill which he has used upon the corpse of a beautiful, pregnant suicide. In order to mask her identity, Baxter has implanted her own foetus's brain into her skull, thus rendering her as innocent and malleable as a newborn. He calls his creature Bella.

McCandless falls in love immediately with this innocent but is deprived of her company by the jealous Baxter, who sets about educating her in the best traditions of the liberal arts and sciences. McCandless is

POOR THINGS
by Alasdair Gray
Bloomsbury £14.99, 317 pages

Blessington. After avoiding narrowly his attempts to get her back, she embarks upon a life that sees her becoming a noted physician and socialist.

Readers who may have found all this a bit tough to stomach are immediately handed an antidote by Gray, who appends a letter written 30 years after these events by Bella (now referred to as Dr Victoria McCandless). She refutes her husband's story as a "morbid Victorian fantasy" penned by a frustrated sentimentalist who seemingly could not bear his wife's passions and achievements. This document is followed by a long series of annotations provided by Gray which lend equal credence to both stories.

Poor Things is a lively and

witty read, erudite without ever being onerous. Fans of the pastiche genre will find much in which to delight, with echoes of Mary Shelley and Shaw scattered throughout as well as telling satire of both Victorian imperialism and early socialism. But herself is a fine creation, a prototypical feminist whose "menstrual cycle was in full flood from the day she opened her eyes, so she has never been taught to feel her body to be disgusting or to dread what she desires."

In the end, however, it is hard to know what to make of the whole enterprise. One waits in vain to find out who is telling the "truth" and what this "truth" could mean. McCandless might be a slightly deranged bore but he is no less credible than the Fabian crank, Victoria.

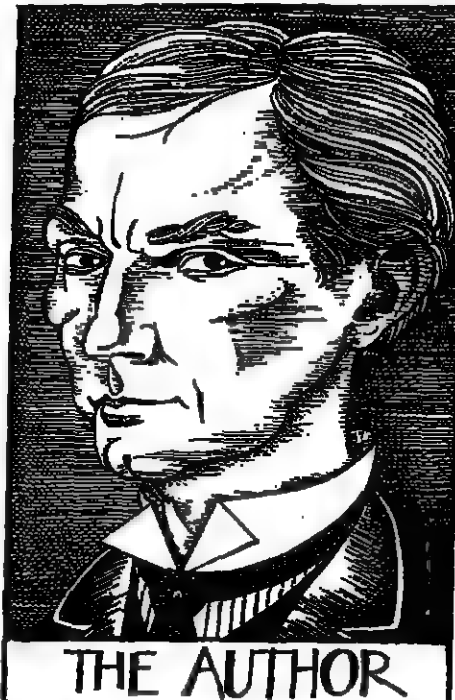
Although Gray claims in his introduction to believe Archibald's account, he refuses either to state, or in his copious notes, to provide the decisive clue. One is left to guess the point of it all.

Is it that men cannot think of a liberated woman without seeing her as being some sort of monster? Or is it rather that truly socialist ideals are destined, like the older Bella, to deny their origins, to degenerate into crankery and insignificance?

Pastiche lovers and literary maze-walkers will enjoy puzzling over the answer. The rest will find *Poor Things* to be like McCandless's mysterious bride: something put together very well but kept alive by artificial means.



GODWIN BAXTER



THE AUTHOR



BELLA CALEDONIA

GENERAL SIR AUBREY de la POLE
BLESSINGTON BART V.C.

The passionate power of mother love

Time and Tide is a tale of mother love, that fierce passion. Like so many of Edna O'Brien's heroines, Nell escapes from a narrow, suffocating existence - a bullying family in a rural Irish village - into the arms of an older, sophisticated man, a Rochester to her Jane Eyre. But he does not mellow with age. Years later Nell flees again, this time from her husband's tyrannical rule, and she fights successfully to gain custody of their children.

Her sons become an anchor in a precarious life: lovers take advantage of her generosity; her spendthrift ways leave her homeless and her honest notes to authors nearly cost her job in a publishing house. But

Nell's real struggle comes when her sons begin to free themselves of her love. One turns to drugs and a girlfriend hostile to Nell, while the other travels to Turkey. Nell fears she has lost them both but discovers, through her memories of her own loving but censorious mother, the binding power of mother love.

This is Nell's story entirely: her husband, sons and lovers seem to exist only in her vivid imagination. Yet it is difficult to imagine her; we are imprisoned in her fantasies: her guilt over her mother's death, her fears that she is, as her husband says, a bad mother. Rarely does she step back from herself, rarely does she peek in the mirror.

This is an impassioned nar-

TIME AND TIDE

by Edna O'Brien

Viking £14.99, 326 pages

SIN

by Josephine Hart

Chatto & Windus £11.99, 164 pages

native, claustrophobic for the reader. It isn't until we reach the tragedy in her life that we begin to empathise with Nell, for she has been too close to us, too insistent, her life story too impossible to believe.

We grow impatient with her; she seems never to follow her instincts and is unbearably impractical, romantic when she should be hard-headed, cruel when she should be

indulgent. Yet, by the end of the book O'Brien has won us over, for her writing is fluent with a beauty which is never self-conscious, a passion which never engulfs its wisdom.

The heroine of Josephine Hart's *Sin* has let one dark passion dominate her life: "Goodness is no longer a respectable aim in life. The bound of hell, envy, has driven it from the house." Ruth has always felt that her cousin, Elizabeth, usurped her place in the family. Orphaned as a baby and adopted by her aunt and uncle, Elizabeth became the first child, the golden-haired girl whose goodness could never be challenged.

Ruth, who came wrapped in a caul of darkness and anger into Elizabeth's kingdom, is

the one with nightmares and vengeful thoughts about her surrogate elder sister. She wants not to destroy her but to take her over.

As a child, Ruth steals her dolls; later on, she takes bits of her clothing, seduces her lover, steals her husband and son and, in desperation and madness, wears a blond wig. But her hatred and her self-loathing - for those who envy others can think little of themselves - seem to bring a heavenly punishment down on both Ruth and Elizabeth when their sons drown in a lake on the family estate.

In this coldly-written Cain and Abel tale, Hart allows Ruth only two moments of passion - two outbursts, after which she is beaten down for,

despite her dark machinations, she becomes the victim of her own obsession. But we cannot feel for Ruth or Elizabeth; the former is too cruel, the latter too dull, and the writing is so restrained and so elliptical that we are held at arm's length from the story.

In this short, bare novel, Hart's characters languish and her ideas fail to germinate. The most interesting question the book asks - does goodness spawn evil? - is hardly explored. *Sin* is caught between parable and novel, having neither the piquant wisdom of the one nor the humanity, the rich ambivalence, of the other.

Wendy Brandmark

Stranger than truth

JANICE ELLIOTT's *City of Gates* (Hodder & Stoughton, £14.99) operates on the simple but often neglected principle that fiction is stranger than truth. The story of Daisy Herbert's adventures in Jerusalem appears at first to be an English-gentleman-abroad novel descended from Henry James and E.M. Forster, all high sensibility and comic asides. Then we meet Eugenia Muna, who keeps the guest-house by the Jaffa Gate and is reputed to have been there "forever." This is no simple overstatement, although it takes some time to realise what a strange turn things are taking.

Elliot freely mixes comic realism and something which I hesitate to call fantasy because its effect is so convincing, and lacking so completely in feyness. When first we are told that "Eugenia only had to squint a little and she could see David, weeping, barefoot, in flight from Jerusalem," we assume that this is poetic licence. But, as the momentum builds, we realise that something altogether other is happening, an intertwining of the marvelous and the everyday in which anything is possible.

Elliot gives several clues to the level on which she is working, stating clearly at the end of the first chapter that "...in Jerusalem, it is forever one time; all times: past, present and to come." Muna knows that "history is not a train, but water in a bucket. Sash it around and anything might slip over." She also knows that the Gnostics hold intuition to be higher than reason; and it is in this sense that *City of Gates* is a Gnostic novel, neither mystic nor fantastic but obeying its own rules.

The result is an unusual combination of the universal and the intimate, conveyed through a succession of scenes which are almost as funny as they are touching. This is a most unusual and deeply-felt novel but it is never daunting, thanks to the lightness of its humour.

Another superb but very different achievement is that of Eugene McCabe in *Death and Nightingales* (Secker & Warburg, £13.99). This is an

archetypal tale of love and betrayal and the brute latent in us all, set in rural Ireland in 1983. Beth Waters, the Catholic step-daughter of Protestant Billy, is preoccupied by one of his Catholic tenants, Liam Ward, and plans to steal Billy's gold and run away with her man. Her mother, who died in a farmyard accident, was already pregnant (although she never said by whom) when she married Billy - hence Beth's ambiguous position in his household.

He exploits her both as free labour and as an object for his drunken lust; yet, there is still some remnant of affection between them. Beth suspects that Ward is only interested in her for the gold, but even the reader is shocked when his real plans are revealed.

McCabe is also well-known as a dramatist, and one of the many remarkable things about this novel is the way that everything, from the cattle of the misty Fermanagh landscape to

the birds that sing or keep silent, contributes to the drama. As Beth notes at her lowest point: "How extraordinarily beautiful the world could be and all the creatures in it, excepting mankind." Anyone looking for an explanation of the roots of sectarian hatred will find it here. *Death and Nightingales* is the best Irish novel to appear for a long time.

Remembering Light and Stone, the second novel by a younger Irish writer, Deirdre Madden (Faber, £14.99), is also full of good things but has a narrower focus. "I hate convenient, empty words," Aisling, the narrator, tells us right at the beginning; and, as we get to know her, we find that she is not the sort of person to accept any kind of cliché, whether it be about emigration, exile, national identity, youth, art, politics, nostalgia or love.

To say that the novel is about a young Irishwoman living and working in a small Italian hill village while

trying to sort herself out gives no indication of the originality and vigour of Madden's approach to this commonplace theme, nor of her unusual sensitivity. I read it on a long train journey and felt as if I had made a new friend, passing the time listening to an intelligent, honest and original contemporary. While I might not always agree with her opinions, she has a wonderful way of expressing them and has produced that most rare of artifices: a novel which is at once highly literary and, yet, immensely readable.

The latter is a quality associated closely with Maeve Binchy, along with a warm heart. She is on grand form in *The Copper Beech* (Orion £14.99), an expansive village saga which follows the lives of a primary school class in the small town of Shancarrig from 1950 to the present day. She has a fondness for tear-jerking sudden deaths but, that apart, she is a far sharper and funnier observer of changing times and morals than the saccharine TV adaptations of her works would suggest.

Alannah Hopkin

other equitably" so, despite its failings and limitations, we must cling to it.

More than 30 years ago, Gellner, now professor of social anthropology at Cambridge, offered academic philosophers in Britain mightily with his book *Words and Things*, an attack on then-fashionable "ordinary language philosophy." Ever since, British philosophy has been ungenerous to him, failing to acknowledge his qualities as a frank, robust thinker distinguished by an unwavering belief in the importance of philosophical debate.

It is true that, in the long-ago offending book, some of Gellner's arguments were unfairly polemical. But, on the evidence of this valuable and provocative defence of reason, it is clear that this quarrel within the tents of the Greeks must end; in the context of the wider battle in defence of reason, it has no further place.

A.C. Grayling

How Britain faced a bleak inheritance

SERGEANT Ernie Teal, of the Coldstream Guards, recalled 1944-45 in a conversation with Peter Hennessy in 1989: "When we got to Holland, we went to some of those houses in Nijmegen - flush toilets, nice gardens, they were just ordinary people but so much better off than we were. I was flabbergasted. And when we got to Germany, I thought: 'These people have been living well under Adolf. We owned two-thirds of the world and we lived worse off than them.'"

Teal had got to the heart of the problem facing the post-war Attlee government, a problem summed up more analytically by former cabinet minister Roy Jenkins (also quoted by Hennessy): "The inheritance was bleak. Our nominal membership of the triumvirate

and difficulties as they appeared to people at the time. He has had, for example, the good idea of publishing the agendas for cabinet business in the first fortnight of the dreadful year 1947. Keeping in mind the enormous range and intractability of the issues ministers were trying to handle induces a proper degree of tolerance towards their failures and shortcomings.

What emerges? On the debit side, most notably, the continual under-estimation by ministers of the UK's external balance-of-payments problem (despite many incisive analyses by senior officials) and the consequent absence of any strategic approach to solving it. But there is much on the credit side: for example, the heroism and imagination of Ernest Bevin, almost single-handedly shaping the Marshall plan and creating NATO.

The first acts of the long tragedy of the UK's unwillingness to get involved with continental Europe until too late are well set out: the irrational (but ultimately well-founded) rhetoric of Monnet contrasted with the rational (but ultimately ill-founded) scepticism of British officials. Given the context, Hennessy is (surely rightly) tolerant of British behaviour at this point. But he warns that he will be (again, surely rightly) much less tolerant in his next volume.

Hennessy also plays fair in his account of the agonising decision to re-arm on the outbreak of the Korean war. He lets the officials most concerned explain eloquently why it was done and how, in the light of Britain's relationship with the US, it appeared unavoidable. But clearly he believes (again, I think rightly) that the result, at a time when continental and Japanese industry was just getting under way, was a terrible blow to the UK's export drive from which, in one sense, the nation never recovered.

This is a good book but it could have been an even better one. In the promised succeeding volumes, could we have fewer clichés, fewer reflections on the author's feelings and personal life, and fewer footnotes (there are 2,100 here, including references to Hennessy's own unpublished diaries)? On the other hand, could we please have a critically-annotated bibliography? The absence of any bibliography at all in a book of this sort is amazing.

Kit McMahon

Odyssey? Watch this space...

HIS is perhaps the only man in the world who can be designated unambiguously by a four-digit number. He drives a solar-powered Sinclair CS scooter and he recruited George Bernard Shaw to the ranks of the British Interplanetary Society. He is Arthur C. Clarke, the author of 2001 and the colossus of science fiction, who strides through the pages of Neil McAleer's *Odyssey* with an oddity comical cast.

To McAleer's credit, he makes clear in his preface that this book is only a spectrum of the one which might be written about his subject one day. Clarke's intimate personal journals, presently sealed in an iron box, may provide a biographer in a distant future with material to flesh out and bring his subject to life.

In the meantime, despite the "nine feet of print resources and dozens of taped interviews" which declaredly went into the preparation of this volume, Clarke as a character in

ODYSSEY: THE AUTHORISED BIOGRAPHY OF ARTHUR C. CLARKE
by Neil McAleer
Gollancz £16.99, 430 pages

these pages remains as remote and as lifeless as an asteroid. Stanley Kubrick, we are informed ominously in the same preface, is on record as pronouncing that "Arthur is not an unexcitable character." So, the tone is set for this altogether too-limbed portrait of a man who, among other claims to fame, foresaw the rise of modern global telecommunications in his anticipation of geostationary satellites.

McAleer seems so unremittingly in awe of his subject that the effect is to dull a topic which might have been fascinating. The text veers between *Pravda*-like pronouncements of Arthur's greatness and Boswellian dinner party snippets.

Martin Mulligan

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Just in time

PROPERTY

Lloyd's losses squeeze owners hit by recession

THE HUGE losses incurred by Names (the members) at Lloyd's, the London insurance market, have not had a major effect on the property market. Not yet.

A few well-publicised cases – such as Pitchford Hall in Shropshire, which the National Trust could take over if the National Heritage Memorial Fund finds the money – have led people to think the crisis has arrived. But estate agents agree that this is not so although Justin Marking, in the country house department at agent Savills, believes the cracks are starting to appear.

The Lloyd's losses are only part of how the recession has hit the landed and nearly-landed classes, forcing them to put their houses on the market. Failed businesses are a more frequent reason, usually when owners have pledged the houses as collateral for bank loans or bought them in the company's name, trusting that expanding profits would take care of any over-investment.

Soaring maintenance costs (and no VAT relief on regular repairs) are another factor. But the worst is that agricultural income is only a dribble nowadays – if not an outflow – and has taken the price of farm land down with it.

Norman Hudson, consultant to the Historic Houses Association, says the effects of Lloyd's will not affect the large country houses that have been in the same family for generations as they are usually in entail and the "owner" is only a life tenant. Likewise, it is on receivers' instructions that Marking is selling two large estates: Herston House in Sussex (£5m) and Heveningham Hall in Suffolk (£4.5m). Again, there is no link with Lloyd's.

Free from serious trouble are the lucky (astute?) Names who

were not in the disastrous LMX syndicates but aimed for lower returns from boring businesses like aviation and motor insurance. Some will have low losses this year – but many actually will have received a cheque.

There are about 22,500 Names in Lloyd's, the same as in 1983-84. Membership peaked in 1988 at more than 32,000, dropping slightly in 1989.

The Names who have borne vast losses for those years, and who still do not know what their eventual liability will be,

No crisis yet but crunch could be coming, says Gerald Cadogan

are about 25 per cent of the membership. In the unlikely event that all had to sell their houses, prices would fall from their present low levels, but it would not be a market meltdown.

If there is an autumn rush to sell, the houses at risk are the old rectories and manor houses, and houses and flats in London, belonging to Names who entered Lloyd's during the 1980s when the threshold became more affordable, and ending talk of "making your assets work for you" flowed through the shires.

Newcomers used their houses as collateral, not to Lloyd's itself (which would not accept a main residence as evidence of wealth) but to the bank which guaranteed their wealth (for an annual fee of £1,000) to Lloyd's. A high valuation of the property let the Name subscribe to a larger line of underwriting.

This system infuriates such suffering Names as Harriet Crawley, who asks why Lloyd's

did not then inquire what the guarantee was based on. "If they are serious about getting people with greater means, you should not be able to put up a flat in lieu of money," she says. "The real question is: Have you got any money?"

The guarantees could pose a tricky dilemma for the banks. If Lloyd's draws down on these, do the banks pull the plug on the Names and sell their houses? Or do they encourage them to trade through now that Lloyd's is becoming a leaner, healthier organisation asking higher premiums and with tighter policy wordings on asbestos and pollution?

While the banks ponder, they have begun quizzing Names more closely about the value of their property and chattels – even how much a wife's jewellery is worth.

Wiser (or luckier) Names who have been in Lloyd's a long time are philosophical. "They can afford to be as, over the long run, they are still on top. And, rather than being guaranteed by a bank, their deposits will be in securities which are easy to sell (unless they decide to take a picture off the wall, or sell a cottage or some fields).

Such Names can argue that the property market fall was coming, anyway, and had nothing to do with Lloyd's. Values in 1988/89 were too high in real terms – and markets do correct themselves eventually.

Yet, while Lloyd's has had little effect so far on the British property market, it still could. No one wants to be forced to dispose of his house. But if trouble is on the horizon, it might be better to act now, even though the post-election price euphoria has vanished. Do not hold off for a better price, as it might not be there when the time comes.

A Name in Northamptonshire bit the bullet last year.



Lloyd's of London, where the Names facing big losses do not yet know the size of their liabilities

Faced with selling his house or his farm, he got rid of the house in which he had grown up and squeezed into the ex-farm manager's house. He will farm when he retires from the City and, with Lloyd's bills still continuing, is glad now of the extra cash from selling early. The estate agents insist that good properties will sell, even

now, so long as the guide price is reasonable. But they are still harried by over-optimistic vendors who have not got over the 1988 valuations.

For most people, the effect is negligible. If you get less for the house you sell, you will pay less for the one you buy. The only loser is the Treasury, since inheritance tax valua-

tions also have tumbled. But for the understandably angry Names who are stumping up to pay other Names for the LMX losses (as well as sharing in a massive transfer of wealth from the UK shires to the Middle West of the United States in the asbestos and pollution claims), this is Cold Comfort Farm.

Beauty of the real Majorca

MAJORCA'S image has much to live down in Britain. The Mediterranean island remains linked inextricably with "fly and fry" package holidays and excessive lager consumption; the idea of actually buying a holiday or retirement home there brings visions of beach-side boxes or apartment blocks surrounded by discos.

It is true that these are rather too plentiful, especially along the south coast around Palma. But Majorca remains a beautiful island and the government is making determined, if belated, efforts to upgrade existing resorts (notably the notorious Magaluf). Also, it has introduced environmental laws to control further development.

What, then, are the choices for potential buyers in the "other" Majorca? You could always try such trouble-free, sophisticated and exclusive developments as the golfing complex of Las Abubillas near Puerto Andraitx, or the Anchorage Club 8km west of Palma (with prices from £120,000 for a one-bed flat to £400,000 for three beds). But for a retreat from the mainstream tourist beat, turn your back on Palma.

The north-western mountains shelter picturesque villages such as Soller, Deià and Valldemossa; it is not surprising the area has attracted artists and celebrities from Chopin, George Sand and Robert Graves to Richard Branson and Michael Douglas. But forget any dreams of an unconverted barn for £15,000. While old farmhouses (*fincas*) and villas can be had, they are not cheap any more: indeed, *fincas* are now very fashionable.

"People love to say they have one and they're getting smaller every day," says Heather Langford of the Palma-based Agencia Hos. For a restored property and some land, you are likely to pay at least £200,000. Simple stone cottages and "town houses" can, however, be found for less. A few miles inland from Puerto Soller, the honeyed-stone farming village of Fornalutx perches among its

olive groves in a verdant, terraced valley. A renovated stone house there, dating to 1700 and complete with orange grove, olive oil store and a ruined out-house that could be converted, costs around £100,000.

In the same village, a typical Majorcan town house – tall, thin and roomy but needing an estimated £25,000-plus to restore – is available at around £50,000. But the charms of Fornalutx are gaining recognition; according to one local estimate, 30 per cent of the houses already are holiday homes or permanent residences for expatriates, mainly Swedish and English.

Thus, while there are interesting choices to be made, do not expect a cut-price bonanza for up-market property despite the market being depressed. While English trade (traditionally the backbone of second-home business on the island) has dried up in the past two years, house price levels have been maintained by rich Majorcans, well-off Spaniards from Madrid and Barcelona, and Germans and Swiss who still can afford a good thing when they see it.

There are bargains to be had, of course, but these are mainly in villa and apartment re-sales rather than new developments or old properties. Indeed, Minigui, a Majorcan estate agency which acts for Humberts, the UK agent, reports: "Speculators are coming in, mainly from the UK, and making very low offers. And some owners do have to take them up."

Langford cites the £40,000-100,000 flat bracket as the hardest hit. Overall, though, she says: "We thought the economic crisis in England would have had a bigger impact but prices aren't dropping, except in odd cases." Many sellers, she adds, are prepared to sit back and ride the recession until demand picks up.

MUK contacts: Humberts, 25 Grosvenor Street, London W1X 9PE; Mackenzie Wemyss, Stable Orange, Clifton Lane, Reigate, Surrey RH2 9RA.

Faith Glasgow

COUNTRY PROPERTY



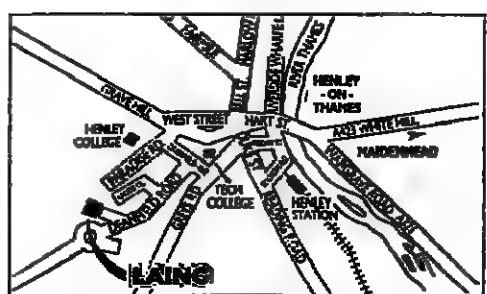
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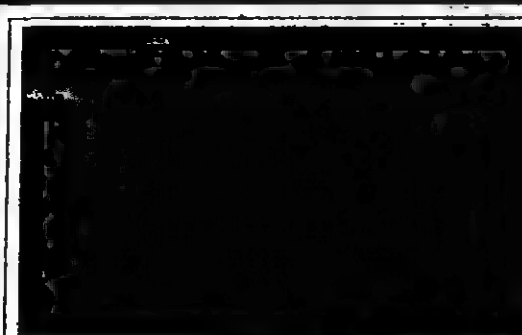
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COLLECTING

Bargain times in antique country

Antony Thorncroft visits the Cotswolds where dealers are waiting out the recession with quiet resignation

IT WOULD be stretching credulity to pretend that all is well with the dealers in the Cotswolds in south central England, the second greatest concentration of traders in important antiques outside London. The recession has hit them hard for two years. Turnover has slumped - and there are few signs of any immediate improvement.

But unlike London, few Cotswolds dealers have closed their shops. Most own their premises and their running costs are much lower than in London. They can survive on less custom and they have adapted to reduced circumstances. Many are working more aggressively to attract business. The factors which persuaded them to open in the Cotswolds - the relaxed pace of life, the beauty of the countryside, the proximity of fellow dealers and connoisseur customers - are helping them get through the quiet times with good-natured resignation.

Their main complaint is that fewer buyers are making the pleasant, speedy run up the M40 from London to the Cotswolds. In particular trade purchases have virtually disappeared. In the past the Cotswolds were a clearing house of quality antiques. Runners (who sniff out bargains from auctions and traders all over the UK) brought goods to the Cotswold dealers, most of whom are conveniently clustered in such centres as Stow-in-the-Wold, Burford and Broadway.

These were then sold on to the London trade. But now dealers, often under orders from their banks to cut back on their overdrafts, and with fewer customers to sell to anyway, have reduced their stock steadily. This is especially true of the interior decorators, who found many choice items of early pottery and furniture in the Cotswolds.

The Americans, the other traditional source of custom, have also become rare birds of passage. They have been falling away for some time. In the recent past the American desertion was made good by continental but although there are still Italians and Germans passing through their numbers are down too.

The Cotswolds have also been hit by the troubles of Lloyd's, the London insurance market, and the collapse of the housing market. Many of the richest Lloyd's "Names" live in the area and in happier times spent their wealth on antiques; many more used the Cotswolds to furnish their second, country, home. They have stopped buying; indeed some are forced to dispose of antiques, causing problems for

those dealers that guarantee to take back the goods they sell.

However, it is the dearth of new home purchases that has been most keenly felt, plus the problems of the luxury country hotels which were also voracious buyers of antiques. Many Cotswold dealers specialise in antiques that are ideal for furnishing country mansions: a revival in the property market would stimulate business.

Most dealers have come to terms with the recession. It helps that they tend to be general traders, concentrating on furniture, the sector of the antiques market which has held up best. The main casualties in London have been the picture dealers, especially those selling contemporary art. Most people do not need another painting, but they do need something to sit on or eat off. The Cotswolds have few dealers specialising in pictures and even fewer who stock the avant-garde.

John Noot of Broadway probably has the largest stock of pictures in the region, ranging from the 17th century to the present day. "Now I only buy pictures I think I can sell; I cannot afford to buy for stock. Most of my business is with old customers. New clients who buy on impulse are very rare." Sales are perhaps half the level of two years ago and "I can't see many rays of hope. We need a return of the 'feel good' factor. Still, if you are cash rich and take a long view this is now a good time to buy."

Noot is thinking of closing his second gallery which concentrates on contemporary works, but will continue to sell contemporary paintings. "They are cheaper." Among the artists Noot will show at the 20th Century Art Fair at the Royal College of Art in London this month is his son.

By a nice coincidence the Swan Gallery in Burford, run by Dominic Pratt, is decorated with works by his father, Jeffery. Obviously keeping things in the family is cost effective. Pratt is one of the few Cotswold dealers who seems busy and buoyant. He concentrates on country furniture from 1680 to 1730. He pursues a policy of buying furniture of good colour at the right price and selling it quickly. His margins are lower but he stays busy.

Pratt points to a Queen Anne chest of drawers of 1710. "It is priced at £2,200. It would have been £4,000 two years ago. I will probably take £1,800 for it. That Charles II corner chair would have been £750 two years ago. It is marked at £475, and I might let it go for £400."

Undoubtedly prices are lower,



One of Peter Evans' works on show at John Davies in Stow in October

mainly because dealers are acquiring stock more cheaply, partly because they have reduced their margins, often from, say, 40 per cent to nearer 20 per cent. This should bring in buyers. After all, you can buy genuine 18th century items of furniture at prices lower than it would cost to make a reproduction.

It is impossible to tour the Cotswolds antique dealers without being struck by the bargains on offer. Victorian desks for £800; Georgian clocks for £1,200; a pair of Chippendale chairs for £550 (at David Pickup in Burford, who also has a three piece William Morris suite for £5,500).

There is also the knowledge that dealers will trim prices, or deliver for nothing, or take payment over a few months. This is especially true at warehouses such as Gateway Antiques in Burford, where the young owners buy the best pieces from the local auction houses, add on a small margin and expect to turn over stock quickly - three times a year.

Gateway sells at the lower and medium price range - up to £15,000. Duncan Baggott, who has a vast stock scattered through a clutch of sites in Stow-on-the-Wold, has antiques from £18.50 to £50,000. He is perhaps the bell-wether Cotswolds dealer, long

established and a beneficiary of the 1980s boom. Three years ago most of his business was through his trade warehouse; now it is through his two shops. Then he might have turned his stock round five times a year; now he turns it over once. But it is more expensive stock: he has seen income rise and profit fall.

He also has to sell that much harder. When I met him he had just sent two items to London on approval: if they fitted well into the prospective buyer's home they would stay. Selling things on spec is one way of helping to clinch a sale. Another is to take antiques in part exchange. Free delivery is also on offer. All the goods in Baggott's shops carry typed labels with their price and history: anything to keep the discounts down.

In a buyer's market, says Baggott, "somebody will offer £5,000 for an item priced at £12,500. I might settle for £10,500". Dealers' margins are already squeezed by such expenses as higher bank charges and business rates and they cannot give too much away.

Stow, Broadway and Burford attract thousands of visitors a day in the summer - but they rarely buy antiques. The dealers tend to have a

few jokes that might catch their fancy. Baggott was offering 19th century Lancashire clogs at £55 a pair. He also had golf clubs for £50 or so, but anyone seriously interested in golf clubs and sporting memorabilia would know about Manfred Schotten's shop in Burford, which has one of the largest collections in the UK.

He has recently purchased one of the late 19th century bright red jackets worn by members of the Leicester Golf Club to show their presence on the course. He can offer golf clubs of the 1860s for £4,500; garlanded Ston rowing boats for £200; and a rare and prized item, an 18th century real tennis racket for around £3,500. Business in this specialist sector has slowed. Schotten usually buys only with a collector in mind and sends out many more mailing shots to likely purchasers. You must hunt for business these days.

For Huntington Antiques of Stow this means buying in the US. Michael Golding finds that the weak dollar enables him to re-patriate some of the English furniture that went across the Atlantic in the 1930s. Ironically his best customer is an American collector who is furnishing his Missouri home with £250,000 worth of early English furniture, the Huntington speciality.

Many dealers can hardly be bothered talking about the recession and the lower level of demand. Of more concern are two other restraints: the attitude of the banks, and robberies. The local banks, under pressure from their head offices, are making things more difficult by increasing charges or reducing overdraft levels. Robberies are the unwanted hassle. Some dealers have been "ram raided", their shop fronts smashed in by cars. Some have been burgled many times and rarely are the antiques recovered.

But the dealers keep their spirits up. The Cotswolds Antique Dealers Association helps with promotion and encourages a feeling of co-operation. English furniture is now cheap compared with French and American antique furniture and the bargains on offer must be appreciated soon.

Anyone who lost interest in antiques when their prices rocketed in the late 1980s should take another look. Not only are prices considerably lower but dealers are willing to bargain: bank managers want sales as a sign of activity. Anyone feeling like a country break could do much worse than motor down to this bucolic region and window shop. I would be very surprised if they did not come back with at least one purchase.

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THE ECONOMIC climate might be deplorable, the art market stagnant, and French buyers prone to referendum jitters. But the Paris Biennale antiques fair, the most ostentatious in the world (and, many say, the best) is going ahead from September 18 to October 4 in the Grand Palais.

This year's show, the 16th, will house 120 exhibitors - including 17 from elsewhere in Europe but only two from the US - showing works which are vetted rigorously by experts.

Stands will be decked out with an unprecedented and unabashed theatricality in a decor concocted by Italian stage designer, Pier Luigi Pizzi. The decor comprises a main circular space called an "agora" and radiating streets.

Opinions about the result, let

Art in the agora

alone the expense - said to be in the region of FF5m (£520,000) - are divided. Some dealers - such as Paris Art Deco specialist Galerie Vallois, which is turning its stand into a mid-1920s room with specially recreated silk wall hangings - have adapted happily. Others, such as tapestry specialists, are anxious that visitors will have no room to stand back and get a good look at their exhibits.

The list of exhibitors is impressive. There is a jewellery section and four leading French dealers in antique books. The Antiquaires a Paris group of dealers, which specialises in mainly 18th century furniture and art objects, is

back in the fair for the first time since 1986.

Several other Paris specialists can be counted on to provide outstanding 18th century art; one, Jean Lupu, has designed a stand which looks like the inside of an Egyptian pyramid. Newcomer Carlton Hobbs, is the only British furniture dealer making the trip. He has planned a lavishly-curated stand containing, among other things, a large Aubusson tapestry, late 18th century Russian furniture and several items of top English furniture of the same period.


Belgian dealer Axel Vervoordt, will have one of the largest stands divided into four rooms. Exhibits will include

paintings by Klein, Fontana and Tapis; ancient Egyptian and Chinese art and a lot of antique silverware - "nothing flashy or show-off but things with soul," Vervoordt says. "Twenty-five stands will be devoted to drawings and paintings. Hopkins-Thomas of Paris, a specialist in mid-19th to early-20th century art is showing an unusual Faive painting by Louis Valtat, circa 1905; an unpublished oil by Sisley of 1884-85; and three works by Impressionist artist Berthe Morisot, favourite model and sister-in-law of Manet.

Paris-based Old Master dealer Bob Haboldt includes an oak panel portrait of Edward VI by Sir Hans Eworth and a rare still life by the 18th century French artist, Louis-Leopold Boilly.

Nicholas Powell


RICHARD GREEN



David Tinkler the Younger (1810-1868)
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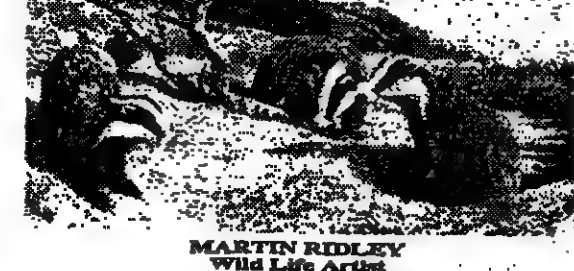


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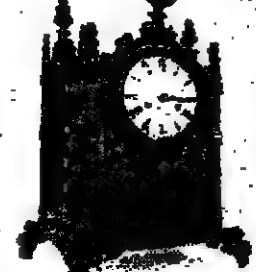


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EDINBURGH FESTIVAL/ARTS

Good, bad, but mostly the same

Alastair Macaulay assesses the 'too similar' work of C P Taylor

C P TAYLOR wrote more than 70 plays; this Edinburgh Festival has presented seven of them. On this evidence seven is more than enough. Taylor is not a playwright whose work benefits from being gathered together. Though each play has its own distinct character, there are too many similar dramatic devices and too many larger ideas in common. How many times have we heard two characters not conversing but carrying on an alternation of monologues? How many farcical situations have there been in which a central character is caught between the various aspects of his life?

Taylor's chief subject, it appears, was conflict of interest. He homed in on the areas where public and private lives clash; he made black comedy from situations where disinterested good intentions (especially within the same person) are defeated by selfish interests. He particularly enjoyed making his protagonist an artist (see *Good, Schippel, The Black and White Minstrels, Walter*) and showing how a passion for music is yet another of a man's private lives (see also *Operation Elms* and *And a Nightingale Sang*). It is often said that his best play is *Good*, and certainly it has been the best of this festival's seven. But — so suggests this festival — it is simply the ultimate version of the play he had written often before in different guises: the most deft treatment of the themes that run through his other work. There is no blacker subject for comedy than complicity in Nazi politics; and *Good* charts with some brilliance the absurd whirlpool of private interest that sucks in an artist, an initially amiable and well-meaning intellectual (forever haunted by music), into becoming the first Kommandant at Auschwitz.

Taylor wrote this for the Royal Shakespeare Company in 1961, the last year of his life.

It seems probable that RSC conditions stimulated him to the top of his form. He was, by all accounts, a playwright who incorporated and utilised his cast's abilities and, though I never saw the RSC production, I believe even now you can hear Alan Howard's delivery (he was the original Halder) in the lines themselves.

Not that the new production, by Glasgow's Tron Theatre, feels like a pastiche. Some of the actors employ Scots accents; the designer, Michael Boyd, has provided a semi-circular no-place-in-particular set, out of whose five doors characters keep popping. Conrad Squith's muted slightly dead about the eyes performance conveys much of Halder's faded passivity.

Glasgow was Taylor's birthplace and the setting of several of his plays. Northumbria became his later home, Newcastle-upon-Tyne the home of many of his premieres. One of these, the memory play *And a Nightingale Sang* (1977) is also set in Newcastle. As presented by the Northern Stage Company in a new staging by Alan Lyddiard, this turns out to be an adept kind of wartime soap-opera, half way between *Dad's Army* and *When the Boat Comes In*. What with "Me Mam" (obsessively Catholic), "Da's" or "Our George" (forever playing the piano) and the gloom-mongering grandpa, it is not far from *Bread*.

Set against these relentlessly stock types — and endless refrains of "Ee, sit down, yer daft ol' bugger" and "Joyce, man, I'm that glad to see yer" — are some more three-dimensional views of the younger generation. Joyce is pretty but scared of marriage and, subsequently, of sex; later, however, she is not sure which "feller" has caused her wartime pregnancy. Her sister Helen, one leg shorter than the other, is the narrator, plain, self-conscious and sensible. She welcomes love when it happens to her. Even when her lover turns out to be married



The Pino Bausch Dance Theatre has made a welcome return to Britain after a decade, appearing at the Edinburgh Festival with Café Müller, one of her most celebrated and succinct pieces. It will be reviewed in the FT on Monday.

with a child, she is stoically grateful for what love left her: new confidence.

What is most Taylorish about all this is the way these girls live their own lives against the insistent background of the war. It is one of his most deeply sentimental plays: a fact which Helen's apparent hard-headedness and

the stereotyping of the older folk only help to underline. I too am a sucker for this kind of thing, but it is so close to unrepentant television treatments of growing up in the war that I do not need to go to the theatre to see it. When Taylor was at his best, he interlarded politics and personal lives far more tightly; he showed his

characters' reluctant complicity, duplicity, guilt. In short, he made *Good*.

The Tron production of *Good* at St Bride's Centre and Northern Stage's *And a Nightingale Sang*, at the Church Hill Theatre, both end their Edinburgh performances today.

Off The Wall

A calm debut

BRIAN MCMASTER is that rare bird in the roll call of directors of the Edinburgh Festival — quiet and self-effacing. His calmness was invaluable in putting together this, his first Festival, with only six months' planning; it has probably helped to ensure that the festival, which closes today, has gone so peacefully. It should even reach its box-office revenue target.

The critics have already delivered their verdict on McMaster's four-prong programme. The Tchakovsky glut of 30 pieces is reckoned a success, with some wonderful solo recitals; the crash course in Scottish music is regarded as a necessary sop to the locals; and, of the two playwrights put under the microscope, Harley Granville Barker was deemed interesting and worthy of more revivals, while C.P. Taylor will never enjoy such coverage again. The dance programme was good.

The rain hit the box-office, but about 66 per cent of tickets were sold and theatre takings are up on last year — satisfaction for McMaster, a music man, over his predecessor, Frank Dunlop, a theatre man. Unfortunately, the Festival has inherited a national tour of Barker's "The Voyage Inheritance," which has failed to excite the citizens of Woking. Losses here could destroy McMaster's hope of reducing his inherited deficit of £179,000 in his first Festival.

McMaster is entering what should be an encouraging future for the Edinburgh Festival. The new Royal Lyceum Theatre was opened this year and proved a splendid asset; in 1994 Edinburgh at last gets its opera house, with the old Empire becoming the new Festival Theatre. Sponsors, and local authorities, and the Scottish Arts Council seem happy to contribute over 50 per cent of the £4.5m revenue needed to hold the Festival.

There have been disappointments. Cristina Hoyos was not very popular, and the Taylor plays suffered from opening cold. Next year should be better, with opera making a comeback, probably Janacek and Verdi involving Scottish Opera. Other lessons digested include organising more events on the busy Bank Holiday Sunday; greater efforts to attract overseas visitors above the current 15 per cent of customers;

and another go at an all-embracing marketing umbrella involving the Fringe, the film and the TV festivals. It remains a reproach that about a third of the seats were not filled. The 1992 Edinburgh Festival will not live forever in the memory, but it was enjoyable enough at any level, and a great achievement, given the recession.

Among the sights of Edinburgh this week was David Mellor, the Heritage Minister, coming out of summer hibernation to score easy boundaries of an audience of arts worthies assembled at the city's new pride and joy, the hi-tech Traverse Theatre.

Mellor can say "no" — he has decided against saving intact the 15th-century timber-framed house, Pitchford Hall in Shropshire and its contents, because he recalls the disaster of government ownership of Heringham Hall — but he said "yes" or "maybe" to most of the demands of the lobbyists.

Antony Thornecroft reviews the off-stage action

Slowly his policies are taking shape. There are surprises. The Lotteries Bill will be presented to parliament this year and Mellor will fight any debilitating changes. By 1994 he expects lottery money to be boosting the arts. It seems that the existing institutions — the Arts Council, the Sports Council, the Museum and Galleries Commission — will allocate the funds rather than some new Lotteries organisation. And Lottery money will go towards revenue funding of the arts as well as big capital projects such as the proposed dance theatre for London.

After two years of subsidy increases way ahead of inflation the arts must expect a more modest improvement in grant from this year's battle with the Treasury. But Mellor should gain more than the proposed 3 per cent. The government still believes in the arts, and, compared with the other candidates for cash, a few extra millions here makes a big splash.

As for Covent Garden: in spite of press reports of icy

glances Mellor and Jeremy Isaacs, the Royal Opera House's director, enjoyed dinner together at last month's Bayreuth Festival. Mellor, with memories of enduring a poor performance by Domingo in a £180 seat, still wants Covent Garden to become more accessible, but he is prepared to tackle the issue rather than pursue a personal vendetta against Isaacs.

The best farce at Edinburgh this year has been over the various awards, which now come fast and furious. Such gongs are useful in helping visitors choose between well over 1,000 shows on offer, but a comprehensive rationalisation is needed.

A Japanese entrepreneur, a Mr Hamada, has attempted to buy himself artistic fame, both by presenting his own plays at Edinburgh and by throwing money at the Festival. As well as donations to both Festival and Fringe, this year he is offering two prizes, each of £25,000, for what are judged the best drama and musical events. This pitches companies such as the National Theatre against the Mark Morris Dance Group, for the drama award, and Schoenberg's Moses and Aaron against the solo recital by the Russian mezzo, Olga Borodina. All the big splashy events have received nominations — but representation by the Fringe is limited. Those that have might get much more; those that need seem frozen out.

The most celebrated Fringe award, the Perrier, also needs overhauling. The money, £2,000, is too little, although the fame greatly increases the earning power of the winner — this year comedians Steve Coogan, working with John Thomson, and the Perrier has dug itself into a hole by concentrating on cabaret and revue; its nominations are weighted towards the almost-famous, playing the big Fringe venues. It should try and hunt out rawer talent, or be all-embracing and give the money to the best act on the Fringe — even if it does not need a career boost.

Calinet's attempt to make prizes more democratic by sponsoring an award based on the phoned-in votes of the public proved brave but doomed. It fell victim to lobbying, and in the end the judges overruled the people and chose the Caud Blast Orchestra as the winner.

EUROPE'S oldest music festival, the Three Choirs, outstrips Edinburgh by two centuries, its antecedents reaching back to the Restoration. The annual programme strives to maintain a balance between tradition and innovation, with large choral works its forte — a staggering number are mounted within the space of a week, with the conducting shared between the three cathedral organists of Worcester, Hereford, and Gloucester.

This year's director, John Sanders, produced perhaps the season's outstanding performance, a Bach B minor Mass, in which all aspects of precision, choral intonation, distinctive soloists led by Emma Kirkby, period-instrument clarity from the Brandenburg Consort.

The premieres were mixed. Alongside a slightly dull brass piece from Fingher and an unexpectedly imaginative anthem from John Rutter came Philip Cannon's A Raleigh Triptych, settings of three poems penned in anticipation of execution. The angularity of Cannon's spare A Cappella writing poses a challenge. That it came across well was due to the boys' alertness in tuning and attentive direction by Donald Hunt. Cannon merits unearthing: his Ligeti-inspired Quartet, Chansons for soprano and harp or the *Graison Funèbre* de l'Ame Humaine for strings, all manifestly called for revival.

Despite a valiant effort by

Shared aims and age-old traditions

the tenor, Maldwyn Davies, a tiring Royal Philharmonic Orchestra just took the edge off Fingher's sumptuous Worcester setting. Ode to Immortality, whose word-painting is as delicate as Britten's. A different problem is set in Janáček's inspirational Glagolitic Mass. For all the flair in big climaxes, flat choral enunciation merge with a lethargic orchestral reading. The work has much in common with Janáček's giant operatic writing, yet only John Mitchell, the veteran tenor, found the required energy for its impassioned Gloria and Credo. The show was saved by Mark Lee, the young organ soloist, whose playing proved one of the distinctions of the week. The Royal Liverpool Philharmonic Orchestra rose to the Processional finale like an idle schoolboy runner who surges ostentatiously to the finishing line.

Of the visitors, Richard Hickox followed a scintillating Elgar Alas to a Mahler Fourth Symphony of breath-taking indifference. But Michael Berkeley's ritualised, Messiaen organ concerto (its infectious suggest a debt to Jehan Alain) easily proved its repertoire worth, with Thomas Trotter an articulate soloist. More striking was Meredith Davies conducting E.J. Moeran's cello concerto, eloquently played by Raphael Wallfisch, who has also recorded the work for Chandos. Davies' direction proved something of a revelation: he has been too long exiled from the podium.

Chief pleasure of a buoyant Fringe was Nicola-Jane Kemp's song recital, setting Schubert and Wolf alongside a new cycle by Gloucester composer, Chris-

topher Boodle. There were two literary tributes. A new biography of Hubert Parry, harbingers of the English revival, was prefaced by an enthusiastic talk from its author, Jeremy Dibble, at Parry's own Highnam Church. Paul Spicer's lecture celebrating the centenary of Herbert Howells set the tone for the week. Musical examples, especially those from an earlier period, left one in no doubt that Howells' importance in the British canon calls for reassessment.

This summer also brought a new history of the Three Choirs by Anthony Boden, a canny sifter of anecdote, as his books on the Gloucester poets, Ivor Gurney and F.W. Harvey, have already shown. A sense of fun pervades *Three Choirs* (Alan Sutton, £20), whose meticulous research starts with the Civil War period and Restoration and supplants dry annals by a colourful, though never trite, account of the festival.

Roderick Dunnnett

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Roderick Dunnnett

ONLY on the day did the news emerge that Elisabeth Söderström's

late-night cabaret performance, at Edinburgh's Royal Lyceum Theatre, would also be her farewell. She entered dramatically. A wall rose to reveal her; she at once launched into the opening phrases of "Dich, teure Halle" from *Tannhäuser*. Then she cut to the aria's closing phrases and — just as she was due to hit a high note now surely beyond her — she cut into "Hello, Dolly", reworded as "Hello, darlings". The medley continued with "Tea For Two" ("tea for you and cakes for me") and "Black eyes" (in Russian).

To love Söderström has been to love life itself, for her range was so wide. The evening stirred memories of all the ways she has enchanted us over the years — in opera, in recital, on record, in the printed page, on TV, in chat-shows, talking on the radio, in numerous languages, in music by umpteen

A farewell to Söderström

composers.

She loves apparent self-contradiction: as in an interview in *Opera* when, having just said "I hate modern opera," she then said her favourite role was the Governess in *The Turn of the Screw*. She has been the most spontaneous of singers, the most hilarious and endearing, and she has been among the most musical and moving.

She gave, in *The Makropoulos Case*, the greatest physical performance in opera I have seen — conveying sensuousness, coldness, wit, urgency and all the weight of a 300-year life in her stance and her every step. Perhaps my favourite memory is of her first encore at a Covent Garden recital, when, just as she was singing the echo in a Scandinavian echo song, a police siren outside the opera house sounded so like yet another echo that she began

laughing and refused to sing another note.

She is 65, and sang her last opera — Poulenc's *La Voix humaine* — early last week. So, on this occasion, dressed in black tights and loose shirt as in Judy Garland, she sang "Nobody loves a fairy when she's forty", pointing the lines "They want a bit of magic from a younger bit of stuff," and "I'd rather be a has-been than a never-was" without malice, and earning her biggest laugh with "You stand there crying 'What-ho!' — but they all pass by your grove." She also sang "Don't put your daughter on the stage, Mrs Worthington" memorably.

Alastair Macaulay

Amazing to find that she could give new meaning to something as familiar as Cole Porter's "Night and day" or as thin as Sondheim's "Send in the clowns". The fact that the evening also included the Swedish folk song that Ambrose Thomas incorporated into the mad scene in *Hamlet*, a Piaf song, and Clara Schumann's setting of a Heine poem about love is typical of her extraordinary diversity.

To talk of her art in the past tense is hard. True, her prime passed more than 10 years ago. True, her voice has become increasingly threadbare. It is also true that she has always continued to enrich our lives, because she remained so musical. Her encore, by the way, was "Bed? Bed? I couldn't go to bed... I could have danced all night." As so often, we believed her.

Alastair Macaulay

Fishermen all at sea

THE "amphibians" of Billy Roche's new play for the RSC — at The Pit in London's Barbican — are the fishermen of Wexford, or more exactly the about-to-be ex-fishermen. One had always suspected that Wexford might be a bit dull outside Festival-time, and so it seems here to be. Roche's three previous Wexford plays have been widely admired; perhaps the onus of an RSC commission was the wrong kind of challenge for him.

Of his 11 characters ten are of fisherfolk-stock, and the eleventh is the plump young inheritor (educated upper-middle) of the town factory, which employs the people who can no longer live by fishing. He is called Brian Taylor; the others are called names like Humpy and Broaders and Dribbler (a devoted fan of the novelist Louis L'Amour). Wexford's rivers and coast, we are told, are steadily more polluted, and poor Eagle — still an independent soul! — cannot catch enough to support his wife and his young son Isaac.

The two days of the action are the last before he too signs

on at the factory. Meanwhile he escorts Isaac to his "traditional", manhood-proving night alone on Useless Island (I think I heard that right), erotic tensions and envy — notably between Eagle's sister Sonia, her rejected swain Zak and her new beau, Mr Taylor — simmer away, and all the actors take decent advantage of their individual turns. There is a lot of Irish chit-chat, no doubt quite realistic, some routine invective and folk-singing, and several quaintly spun yarns.

We realise early on that something nasty must happen on Useless Island to bring matters to a head. At long last, it does — but any of several alternative scenarios might have done as well. Dramatic inevitability is not on offer, nor any delving into character. Perhaps Roche has been too generous to his extended cast, with the result that the most prominent roles seem under-written and under-explored: Eagle and his worried wife, and especially lovedorn Zak, who surely

deserves more attention. Young Isaac, who might have supplied a poignant focus, is played modestly and seriously by 13-year-old Kevin Burke, but with a piping voice (we missed a lot of his words) and a bland face which deny us entry to his thoughts.

Though the distant lights of Wexford look pretty from the island, as imagined by Michael Taylor and Geraint Pugh, the mainland sets are cluttered and clumsy. As Zak, Eagle and his upwardly-mobile sister, Barry Lynch, Ian McKilhinney and Lesley McGuire make us wish we could know them better.

David Murray

I admired the other women, Hilary Cromie and Jane Gurnett, no less than Abbie Woodington's lusty pub-turn as Dribbler and Sean Murray's Broaders, whose bumptious cynicism insinuates something over the top long before the gory climax. Everybody else plays up with spirit, though we have seen clones of Lolor Roddy's dim, convulsive Humpy too often before. Michael Attenborough directs.

David Murray

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Private view / Christian Tyler

The fine art of stealing the world's finest art



Ashley Ashwood

NEXT TIME you are in an art gallery in Europe or America, look out for a pretty young woman with a cap pulled down over her face. She will not be trudging along the walls but rooted in front of one painting, holding a sheaf of colour reproductions in one hand and making notes with the other.

You are watching Susie Ray about to steal another masterpiece. Of course, she is not going to wrench the picture from the wall. She is merely going to lift the image, take it away and reproduce it in oils for some rich, probably anonymous, client.

"You can usually get something on camera before the wardens start shouting at you," she explained gaily. "But I'm getting a bit too well-known, so I sometimes use an assistant."

What Susie Ray does is perfectly legal, provided her deception is done without intent to deceive and provided the work she mimics is out of copyright (which in Britain means the artist must have been dead 50 years).

It is legal, but odd. Jonathan Swift would have relished a topsyturvy world in which a piece of painted canvas, originally purchased for a modest price, becomes so valuable and such a liability that its owner is forced to hide it or sell it, and feels obliged to pay again for someone else to paint another piece of canvas in exactly the same way.

Temporarily housed in a corner of a big studio in a not-so-fashionable district of south London where her husband John Stewart designs and sells kites, Susie Ray told me why the copyist's art is once more in again.

Some of her clients are sentimental, she said, like the Texan couple who before selling their little Shetland landscape to a Japanese wanted a copy of it to put back above the mantelpiece, or like the security guard at Rockefeller's private mansion who wanted a souvenir of one of his master's paintings for his retirement.

Others, like the Arab with the huge collection of early Impressionists stored in a bank vault in Geneva, are billionaire investors who will not pay the insurance premium.

Or they are collectors who are going bankrupt, or who are afraid the art market is collapsing, have stopped buying at auction and need new acquisitions to give their friends the impression they are still active.

Some are doing up country houses, like the couple who commissioned Monet's *Santa Maria della Salute* for their Venetian dŒr; like the English industrialist Sir Anthony Bamford who needed Reynolds' portraits for his Warren Hastings room.

Or they just want a van Gogh they've seen on holiday, such as the couple for whom she copied *Starry Night*, or they want Modigliani, like the old man who has commissioned four, or they want Stubbs, or Gau-

guin, Cezanne or Caravaggio - even, in one case, Duccio. Occasionally, she has had brushes with the underworld: "I have had funny phone calls."

Susie Ray is one of the first modern copyists in Britain to go publicly into business. In Paris there is Daniel Delamare, who commissions other artists to work for him and in Barcelona there is Miguel Canals who heads a large studio whose output has been put up at auction.

Ray charges up to £4,000 for an Impressionist or post-Impressionist, including the frame. For Old Masters she charges more. She does

only one copy of each masterpiece, calls them Susie Ray Originals (a cheeky use of the word but one with precedents in fashion and music), then stamps the back of the canvas with a certificate of non-authenticity.

When I asked her why only one, she replied: "Because it takes a lot of time. If you do it again you can't do it as well. You lose interest in it. You can't concentrate. I just couldn't do it, even if the painting was destroyed." She did not add that the uniqueness of her copies might persuade customers they were acquiring an asset.

Do you have an artist's eye? I asked her. Do you think of your clients as philistines?

"It varies with the clients. But I don't see myself as a fine artist. I wasn't trained as one. Had I been, I would have developed a style, a technique, and that would have shown in my paintings. But because of my training I am able to produce accurately. I call myself a technician."

Her painstaking skill is the product of natural talent, a year's foundation course at Chelsea Art College, four years studying scientific illustration at Middlesex Polytech-

nic and two years working as a botanical artist at Kew Gardens.

Are there any painters you can't do?

"I've turned down two Canalettos, not because I can't do them, but because it would take for ever. What about technically?"

No, I haven't come across one yet. I think contemporary painters would be hard, with drips down a canvas. Anyway, they're not out of copyright.

"Old Masters take longer but technically they're easier. With Impressionists have to get the brush strokes looking spontaneous,

especially when they painted so fast."

But, I said, if you can knock up a pretty decent Monet aren't you tempted to go out and find a subject for yourself?

"No, because I can't do that. I've tried. It would end up looking like a photograph. This is the extraordinary thing."

What are you lacking that you can't do it?

"I'm lacking the fine artist's way of painting."

But it's a matter of looking, isn't it?

"Yes, but probably I just don't want to do it because Monet does it so much better. If I tried it it would just be so bad."

You don't have to paint like Monet.

"No, but I look at everything with an illustrator's eye."

From prints or slides of her paintings it is impossible to tell they are copies. Seeing them in the flesh it is still difficult (though isn't the expression of that Modigliani nude a touch too saucy?) and even beside the originals they might confuse.

So I applied the Turing Test for robots: let's say you can make a copy to fool virtually everyone. What then is the difference between your copy and the original?

"Visually, I hope, there shouldn't be - though I would be completely aware of it. There's a big difference in the value, of course."

So why is there such a difference in value?

"Why should a Stubbs be worth £50,000 and an Impressionist £2m? Why should a de Kooning go for £2m? It's the art world. I don't understand it."

I pointed to the nude again. How would you describe the difference between your Modigliani and his, apart from the fact that he had the idea and you didn't?

"Because it was done by the original artist. It's as lame as that. There is something there. If the two were side by side I think the original would still have an aura."

Would I get the same buzz from a copy as from the original?

"I would hope you'd get the same buzz."

People say there's some quality inherent in an original work of art. Do you think that's true?

"All I can say is that when I've done a copy of a painting that's hanging in a gallery and I go back and see the original it's just very exciting. I think 'Gosh, I've done it!'"

It's something that I feel I can achieve, and I have never seen anybody else quite get it. And I'm going to get better. But it will never be the same. Which is why I don't charge the same."

Do paintings have souls? I left Susie Ray's studio with the aesthetic conundrum unresolved. Perhaps she cannot answer the question for the same reason that, brilliant as she is, she cannot paint her own pictures.

So if you discover Susie Ray stealing a picture from your gallery, don't worry. She will probably leave a bit of it behind.

Time to inspire a palace revolution

IDEAS ARE in the wind for the creation of a new modern art gallery - more ambitious than has gone before - to greet the approach of the second millennium. Here is a modest proposal which might go even further and create a market for art as well. There should be an art park, a mixture of public and private interests, stretching across a large part of some already established international art capital. The aim would be to bring artists, collectors, sellers and buyers more closely together. The idea is developed later in the article, but first some background.

The underlying thesis - impossible to prove conclusively, but even harder to refute - is that demand for art will always exceed supply. You can see that in many ways. At the top end of the market Christie's can still sell a Titian for nearly £7.5m in spite of the recession. New galleries continue to open in different areas as recession hits the more traditional establishments. The paintings and drawings strung along the railings of London's Hyde Park on Sundays are a sign that interest is always there.

Demand for viewing art, rather than buying it, also goes on rising. Official figures are not up-to-date, but show that the number of visitors to the main national museums and galleries in London went up from 10.3m in 1979 to 12.1m a decade later. Figures from the Policy Studies Institute suggest much higher increases in some of the regions. Anecdotal evidence would include the high attendance at the small, selective Monet Exhibition "The Execution of Maximilian" at the National Gallery and the Magritte Exhibition at the Hayward. Others can supply their own evidence from Paris or New York, and note that where admission is free, not everyone is counted.

Almost anything to do with art has a tendency to arouse public passions. The long-running dispute over the rights and wrongs of museum charges is one example. Another is the perennial argument over whether privately-owned paintings which come up for sale should be "saved for the nation", and how. A new dispute has broken out over proposals to split the Tate collection into foreign and British works.

At first sight, this outline of rising public interest fits ill with the reports of falling profits and turnover at the main auction houses of Sotheby's and Christie's and the closure or financial difficulties of a growing number of private galleries in London's West End. There is clearly a price adjustment underway, but I suggest a deeper explanation: the demand is there, but the supply side isn't working.

In broad terms, art holdings fall into the following categories:

- museums or other official institutions, such as churches and palaces;
- private galleries, which exhibit, buy and sell;
- corporate collections held, for example, by Pearson, Reuter and Robert Fleming;
- private collections, some of which are on show or on loan to exhibitions;
- random private holdings, mainly inherited, but sometimes bought *ad hoc* and occasionally a gift from the artist or a friendly gesture of encouragement by purchase.

Leaving aside the right of an individual to collect and hold whatever pieces of art he or she chooses, provided it is legally acquired, all those categories have their deficiencies. The problem of museums is well-documented. Essentially they hold more than they can show. Recall the story of the Corots in the Louvre - kept in an upstairs gallery and only brought to wider attention when exhibited elsewhere in Paris. The same could be said about Britain's Turners. The Tate can only show about one quarter of its collection at any time.

The problem of private galleries, certainly in central London, is not dissimilar from that of other businesses in a recession. They may carry excessive overheads, be in the wrong place, open at the wrong times and be inaccessible to a new public. There is no reason why new galleries should not open elsewhere in line with the earlier revolution in the retail trade. Some have already done so.

Corporate collections are a much under-studied and under-catalogued subject. Suffice it to say that some companies have made a point of collecting art and do not know what to do with it.

Private holdings are, of course, a private matter. Yet, it is striking in major shows that so many of the

exhibits come from private collections or simply private owners. In the big Magritte exhibition at the Hayward, more than half the works fell into that category. Of the 108 paintings in the Allan Ramsay exhibition at this year's Edinburgh Festival, more than 30 were from private owners. There were 76 exhibits in the same festival's "Dutch Art and Scotland": 34 were privately held. Sometimes the owners are willing to be identified; sometimes, not. In the two Edinburgh cases cited, a majority withheld their names. The Queen lent to both.

It is also clear from social observation that a sizeable number of people have works of art which, although they may not amount to a collection, are interesting or possibly valuable in their own right. Often the potential value was not and could not have been known when the piece was acquired. More of these private owners might like to have their paintings shown; some might like to consider selling.

In theory, the auction firms exist as a clearing house when art changes hands. Yet one doubts how far they are an adequate means of developing a wider and more active market. Witness, by contrast, the

success of *The Guardian's* "Art for Sale" which puts artists in touch with potential buyers. The newspaper has found that it can hardly cope with demand: sellers and buyers rate it highly.

It is the peculiar mix of public and private ownership that makes art different from other commodities. If there is to be a greater movement in the market - more on show, more to sell and more to buy - there will have to be some rearrangement of public and private interests. This is germane to the question of a new modern art gallery and underlines the need to be ambitious. Where should it be and how should it be run?

The location will make sense only if it is close to, and can evolve from, an existing international art centre



where museums, galleries, auction houses, a viewing and a buying public are already part of the tradition. It will also require space - masses of it. As it happens, there is an obvious candidate: London.

By the standards of Paris, Rome or even parts of New York, London is not the most beautiful metropolis in the world, but it does have one superb, large and conveniently empty site. It stretches, with only a few obstacles, from St James's Park, Green Park, through Hyde Park,

which, with official permission, could be turned into a major gallery in its own right - almost the hub of the concept.

Someone would have to co-ordinate the project, so let me define it more closely. A new gallery of modern art is too small a definition. A more accurate term would be a modern gallery of art, containing old as well, and not just one gallery but a string of them, indoors as well as out (for sculpture and itinerant artists). It would combine exhibiting and selling. That is why, however infelicitous, I have chosen the term art park.

The co-ordinator would be appointed by the government. He or she would require wide powers - a bit like those for the opening up of Docklands. There would have to be co-operation with all sorts of bodies: the Queen (if Kensington Palace is to be secured), the local authorities, the trustees of existing museums who like to keep art rather than trade it. Some, although not many, new buildings will be needed. There might be a gallery to show corporate collections, and perhaps a place for private owners to exhibit their holdings. Smaller galleries could proliferate - as to some extent they have - in the areas round about.

To help the co-ordinator, there must be a company in this country capable of running a theme park, and leasing galleries as franchises.

There may also have to be changes in the law: some are on the way. Just before the last general election, Tim Renton, then arts minister, put through Parliament the Museums and Galleries Act 1992 which empowers the Tate to sell

paintings and sculptures from its existing collection. Renton would have liked the Act to have gone further and extended to the National Gallery, but it is at least a start.

The power to dispose does not, of course, rule out the power to acquire. On the contrary, the change in the law helps to create a market and provides greater freedom for gallery directors.

I have deliberately said nothing in this article about the aesthetics of art: that is a matter of taste and fashion. Nor have I mentioned public funding: there is no reason to suppose that what I suggest would cost much additional money. It is more a question of better co-ordination and a change in attitudes. The opening up of a market would help artists and purchasers alike.

The timing is ripe not only for the approach of the millennium, but the creation of the ministry of national heritage, which has been given an empire but not yet found a role. Should the area around the Serpentine prove too small, there are others available. Why not put paintings and sculptures in Regent's Park as the animals depart from the zoo? There could be no clearer acknowledgement of changing tastes. Renton has thoughts about Butler's Wharf, in London, where there is space aplenty, then on into Docklands.

One final thought: if London does not take up the idea, somewhere else will. The outstanding candidate is Berlin, which has lots of money, lots of space, lots of art, and masses of ambition. Must the Germans lead?

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Michael
Thompson-Noel



I POPPED round to Downing Street for a word with the prime minister last night, to urge him to "poke his head above the parapet" and to tell us what is happening to this weary, wracked planet. Like you, I am stunned by the swirl of events that are buffeting and harassing us.

His manners never change. He is the courtliest soul imaginable. We entered his private sitting room. I sat on a floral sofa.

"Care for some food?" said the prime minister. "One of the nicest things about this place is that they are happy to serve you anything, whatever the time of day."

"Wonderful," I said. "I'd like eggs, bacon, sausages, tomatoes, mushrooms and fried bread, thank you very much."

As we ate, I broached the subject of my visit.

"It seems to me, prime minister, that the time is fast approaching when you must do or say something - possibly something small: no one is counting on miracles - to relieve the confusion and dread that are stalking the land."

"Everywhere people look they see schism and breakdown. Paralysis of the world economy. Markets shaking and heaving. Europe on the brink. Poor old George Bush. Maastricht and Mitterrand. Wars flaring daily. Saddam still out-tricking us. Turmoil at the BBC. The House of Windsor quaking. The return of Lord Owen. China now rioting and swearing. Lord Beaverbrook insolvent. Some exceptionally dodgy

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weather. A great pall of horridness.

If you ask me, prime minister, it is all getting a bit too pre-millennial for my tastes. I am a bit frightened by the sky a hideous purple, oceans glinting aforesaid, earthquakes and tempests, paganism and metaphysics."

"Yet no one is speaking up. You yourself, prime minister, remind me of an incident Paul Theroux writes about in his new travel book, *The Happy Isles of Oceania*. I happen to have a review copy, courtesy of the Books editor."

"Theroux is in Western Australia, plugging his latest novel. He visits a Perth newspaper. He is escorted to a cubicle where an 18-year-old boy is sitting at a tiny desk. 'Well,' says the boy, 'where shall we begin?' He has read none of Theroux's books. The interview goes nowhere."

"Finally, at the door, the boy asks his only literary question. 'How do you get your characters?' he asks. 'You just think them up'."

"Sometimes I think them up," replies Theroux. "And sometimes they appear before my eyes."

"The trouble is, prime minister, that people are no longer sure whether you are a character they've invented - or whether you just appeared. They find it a mystery."

"It's remarkable you should say that," said the prime minister, "because the truth is that we - the world's leaders - are grappling with a genuine mystery at present."

"We seem to have encountered gridlock. Everything has stalled. We think it is pre-millennial. And it seems to involve pi. As you are aware, pi - a circle's circumference divided by its diameter - is a transcendental number. It starts off as 3.14159265 but its decimal places continue for ever - an infinity of decimal places. Or so it was supposed."

"Some scientists, however, have been using extremely powerful computers to see whether pi would eventually yield a pattern of numbers that contained some sort of code, a message from the Creator. All was going swimmingly until six weeks ago when the computers started to produce an endless sequence of noughts. Whereas we used to receive a never-slackening stream of unrelated digits stretching to infinity, all we are getting is zeros."

"Nor is that the end of it. All the Earth's strategic computer programs have thrown in the towel. We ask them the big questions, and out come noughts. I have talked to George about it, to Francois, Helmut, Boris. Everything is gridlocked, everything closing down. There seems to be no way forward. We are sure it is pre-millennial."

"Are you worried?"

"What's the point of worrying? We are going with the flow, waiting to see what happens."

"You don't have a plan?"

Just then, all the red telephones on the desk started ringing. The prime minister answered one of them and listened very hard. The colour fled from his face.

"I am afraid you will have to excuse me," he said, dashing for the door. "I am not back in 30 minutes, order a pot of tea."